

# GSA PUTS THE "E" IN E-GOVERNMENT

2000 Annual Report

GSA  
e-gov



Annual Report  
U.S. General  
Services  
Administration  
FY 2000

# Letter from the Acting Administrator

February 14, 2001

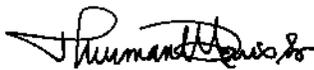
The U.S. General Services Administration, known throughout the Federal community as GSA, has grown with the times to become an agent for change in our Government. No longer a mandatory source, GSA has become increasingly attentive to the needs of Federal employees and the citizens they work for. We have committed ourselves to bringing best practices and the latest technology to the Federal workplace, while leveraging the large Federal market to provide the Government the best value available for commercial-quality goods and services.

In the past few years, GSA has become adept at using the Internet, transacting business electronically and helping others do so. Federal agencies can easily get the support they need to do their work. And Americans wishing to do business with the Government now can avoid traveling to Government offices, waiting in line, or mailing paper forms.

This FY 2000 Annual Report highlights the many ways in which GSA is helping the Government save time and money by doing business online. It testifies to the agency's ability to meet the challenges of a rapidly changing economic, technological and regulatory environment. I would like to acknowledge the leadership role played in this arena by former Administrator David J. Barram, who gave all GSA employees access to the Internet in 1996 and left the agency in December 2000.

The other important story set forth in this Annual Report is that of GSA's financial soundness. With annual business volume of over \$16 billion, more than the 108th ranked Fortune 500 company, GSA manages an extensive and complex array of financial transactions. This year, for the 13th year in a row, we received an unqualified opinion from our independent auditors. This long, strong and unblemished record is unmatched by any major Executive Branch agency in the Federal Government.

I am proud of GSA's tradition of customer-centered service and fiscal conservatism, and I am confident we will carry it into the years to come.



Thurman M. Davis, Sr.  
*Acting Administrator*

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*The 2000 GSA Annual Report is an Accountability Report produced under the guidelines of the Government Management Reform Act of 1994. The report provides a 360-degree view of the U.S. General Services Administration by augmenting the traditional audited consolidated financial information, as required under the Chief Financial Officers Act of 1990, with performance information and reviews of management controls.*

# Overview

Having integrated the Internet into all GSA programs, we have stepped to the forefront in the drive to enable all Americans to interact with their Government online

**G**SA is taking the lead in bringing electronic innovation to the Federal Government. Known for building beautiful and monumental courthouses, border stations and other Federal facilities, GSA has become equally impressive at building connections. Still the primary provider of space, products, services, technology and policy leadership for Federal agencies, GSA is increasingly using Internet-age technology to do so.

Having integrated the Internet into all GSA programs, we have stepped to the forefront in the drive to enable all Americans to conduct secure and private online transactions with their Government. GSA has a large role to play in ensuring the integrity of online Government processes, the ease and speed of Government-

Known for building beautiful and monumental courthouses, border stations and other Federal facilities, GSA has become equally impressive at building connections

citizen interaction, the consistency of communication, and the protection of individual privacy and security of Government information. We are particularly proud to have taken the lead in several areas that put the "e" in e-Government:

- Creating and managing *FirstGov.gov*, the portal to all Federal Web sites
- Facilitating the online acquisition of Federal workplace staples on GSA.gov
- Providing e-Government policy leadership
- Protecting the security and privacy of online information
- Providing state-of-the-art technology solutions
- Ensuring accessibility of the online environment.

[FirstGov.gov](#), the portal to all Federal Web sites

On June 24, 2000, the President announced a drive to build a single, customer-focused Web site, where citizens can find every online resource offered by the

# FirstGov takes a major step toward a high-speed, high-tech, user-friendly Government. It's a Web site that's easy for people to use to find the public information they need

Federal Government. He tasked GSA with expanding a prototype system we had developed and tested into a fully functioning public site within 90 days.

The new Web site, dubbed *FirstGov*, was launched at [www.FirstGov.gov](http://www.FirstGov.gov) exactly 90 days later.

*FirstGov* takes a major step toward a high-speed, high-tech, user-friendly Government. It's a Web site that's easy for people to use to find the public information they need. It provides online interaction with Federal agencies, 24 hours a day, 7 days a week. As it grows in popularity, one of *FirstGov's* greatest measures of success is that it allows for faster and better searches of one of the largest and most useful collection of Web pages in the world. Built around a search engine provided free by an Internet entrepreneur, *FirstGov* takes advantage of the best in current commercial technology. With more than 27 million civilian and military Web pages available online, *FirstGov* has broken new ground as a single-stop source of Government services and information.



In the future, GSA will lead the team that maintains *FirstGov*. Although this may seem to be a non-traditional role for GSA, it parallels our long-standing service as a central source for Federal information to the public. For more than 30 years, we have operated a "1-800" national contact center through GSA's Federal Consumer Information Center, giving answers to callers seeking information about Federal programs, benefits and services. The Center also distributes low-cost and free Federal publications by mail through its facility in Pueblo, CO. The full text of these publications, along with other helpful consumer information is available online at [www.pueblo.gsa.gov](http://www.pueblo.gsa.gov). GSA has also been involved in managing the Federal Web presence in many other behind-the-scenes ways. We control the use of the Government's ".gov" domain names, for instance, and we provide the technology to ensure that Federal Web-based transactions are private and secure.

Our role in keeping the *FirstGov* portal up-to-date really is not so different from that of GSA and its predecessor agencies which, for 150 years, designed and built



Federal buildings and courthouses where the public has traditionally interacted with the Government. Like a downtown Federal building, this Web portal lets you conduct all your Government business in a single place. In fact, *FirstGov* has been compared to the lobby of a skyscraper, which provides entrée through a handsome foyer and access to dozens of stories of Government offices.

#### GSA.gov, the Federal Center for Online Business

If *FirstGov* can be seen as a skyscraper, then GSA's Web site, *GSA.gov*, can be compared to a shopping mall. GSA has pioneered the use of Internet-based ordering systems that permit users to identify, select, order and pay for workplace items online. We're so far ahead in this area that we're setting the pace for the rest of Government in online procurement systems. At the same time, we continue to expand our use of the Internet to bring many of our other processes online.

Recognized as one of the world's largest online ordering and tracking systems, *GSA Advantage!*<sup>™</sup> lets Federal employees order more than a million items using a purchase order number or a charge card (we provide those, too). This year, *GSA Advantage!*<sup>™</sup> logged its first \$1 million sales days. Over \$125 million in transactions were conducted over the Web, 46% more than in FY 1999, and evidence of the rapid growth in the Government's use of technology to conduct business. This rate of increase will rise as GSA makes more of its contracts available online. By the end of 2001, we expect to have 95% of our GSA Schedules contracts accessible through *GSA Advantage!*<sup>™</sup>. GSA's Internet-based E-Buy makes it easier to use these Schedules contracts by enabling customers to seek competitive price quotes online.

**GSA has pioneered the use of Internet-based ordering systems that permit users to identify, select, order and pay for workplace items online**

The success of this new electronic medium has spurred the use of other online transaction systems in GSA. Our Information Technology Solutions Shop allows Federal purchasers to review the large technology contracts we offer and to find ways to get solutions for their own complex technology needs. Vendors, customers, and GSA contracting personnel work together seamlessly over the Internet to meet customers' technology needs and provide centralized order-tracking and financial information. The GSA Wireless Store also offers wireless products and services online, a line of business that is expected to expand dramatically in the next few years.

Still, GSA continues to explore the electronic frontier. We are finding ways to use the Internet for negotiating lower prices for Federal agencies and to find buyers for our surplus real estate and personal property. Our own Web site, *GSA.gov*, offers specific information on what surplus real estate is for sale, whom to contact, and how to bid on available property. In FY 2000, we pioneered online real estate auctions, for customers such as the U.S. Marshals Service, the Internal Revenue Service, the Navy, and the Department of Defense, holding 22 auctions in one region alone.

Our leadership in interagency committees guarantees the Government will be consistent, coordinated and up-to-date in its e-commerce practices

Total sales reached \$3.2 million with winning bids ranging from 16% to 180% above fair market value.

We launched *Buyers.gov* in FY 2000 as a Web-based Government business and auction exchange. This format drives down prices by letting Federal agencies come together online to combine their needs for information technology. Doing so qualifies them for volume discounts they would not have received on their own. We adapted commercial e-commerce software to Federal standards and introduced "reverse auctioning," — a practice which allows customers to lay out a quick-turnaround requirement online and lets vendors compete to offer the best prices through sealed bids. Private citizens interested in bidding on used Federal vehicles, office furniture and a wide assortment of other items ranging from jewelry to aircraft, can do so at *GSAAuctions.gov*.

The tenants in our Federal buildings and leased space are also served through the online environment. New Web-based applications made available in FY 2000 allow our customers to track the status of their rent payments and reimbursable work orders online through password-protected sites.

Aiming at the 2003 target date for eliminating all paperwork requirements in Government transactions, GSA also makes all standard Government forms available on the Web, where they can be downloaded and filled out, or filled out and submitted online.



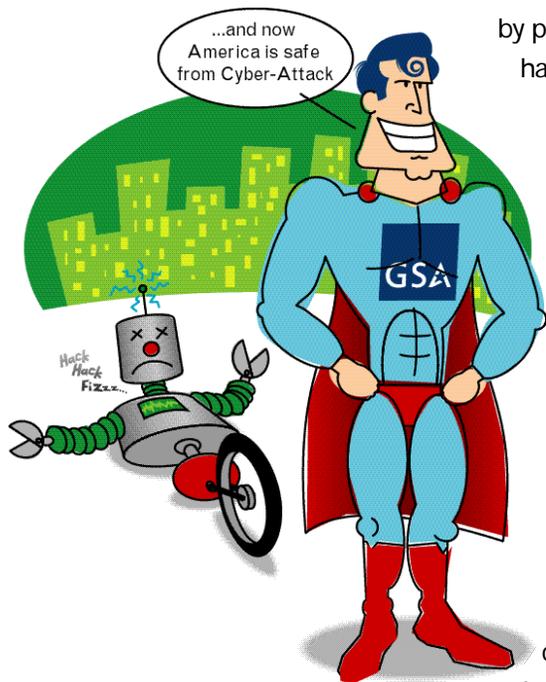
All of GSA's online offerings will soon be available within a few clicks of a single Web page. In FY 2000, GSA initiated a massive restructuring of *GSA.gov*. We're currently revamping it to make it more customer-friendly and easy for customers, vendors and other users to access the Web pages and information they need. One great advantage of the new Web site is that it allows customers to view all of GSA's online ordering systems on a single page and instructs them when the use of one system would be preferable to another. It also offers choices for customers who seek information online but who also wish to speak to a customer representative or contact a vendor directly.

#### E-Government Policy Leadership

A few years ago, when most of the Internet development was focused on e-commerce, GSA was tapped to lead the Federal effort in that area. We used our policy-making authority and our experience in online ordering to bring agency experts together to develop e-commerce tools, standards and best practices. Our leadership in interagency committees guarantees the government will be consistent, coordinated and up-to-date in its e-commerce practices. We target specific e-commerce-related applications and help locate funding for coordinated development programs. In partnership with the Department of Defense (DoD) and other agencies, we have sponsored a number of smart card pilots and initiatives, setting the stage for what promises to be one of the most useful tools for citizens transacting business with the Federal Government. Today, these cards are used by military personnel as well as civilians to draw pay and make purchases, access facilities and systems, compile manifests of passengers and supplies, facilitate travel, make phone calls and for many other uses. DoD recently announced it would use GSA's smart card contract to provide over 2 million pass-holders with multi-purpose smart cards that have digital signature capability for completing electronic transactions. In the future, smart

**GSA is finding ways to use the Internet for negotiating lower prices for Federal agencies and to find buyers for our surplus real estate and personal property**

cards will be used increasingly by citizens to access Federal services and to carry personal medical and health insurance records, make student loan payments, and draw Social Security benefits.



Another interagency pilot program created a single online point of entry for Government contracting. Developed as the Electronic Posting System under GSA's leadership, it is now called Federal Business Opportunities, or *FedBizOpps.gov*. It is the electronic version of the venerable *Commerce Business Daily (CBD)*, long used by private firms to do business with the Government, and it will replace the hardcopy CBD in December 2000. *FedBizOpps.gov* offers a clearinghouse where Federal agencies can post their contract solicitations, and where contractors can submit formal proposals, all without using a single piece of paper. Seventeen Federal contracting shops were using the system at the end of FY 2000. The remaining 63 organizations are expected to join by the end of the calendar year.

This year, GSA expanded its e-commerce leadership role to encompass all Government online efforts, not just the ones involving commerce. Through its leadership in the Federal Commons effort, GSA will coordinate the automation of the \$300 billion in Federal grants programs. GSA will play an essential role in coordinating the development of a national Web-based grants program. We will bring agencies together to jointly acknowledge the need for automation, raise seed money from participating agencies, develop standards, conduct pilot tests to find commercial solutions and identify model systems that can be expanded throughout the Federal sector. By taking the leadership in these e-Government functions, GSA will more than double its influence to cover nearly \$500 billion in Federal spending.

#### Protecting the Nation's Critical Infrastructure and Citizens' Online Privacy

Security and privacy will continue to be the big issues confronting e-Government (and e-commerce, as well). We played a significant role in coordinating the

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Governmentwide effort to ensure that the nation's electronic infrastructure survived the turn of the Y2K millennium. We identified Y2K-compatible equipment for agency upgrades; managed a Y2K Web site for the Government; regularly

# ACES will permit users to execute agreements and contracts online, eliminating the need for paper documentation of even the most sensitive transactions

shared information with Government officials in all jurisdictions; and provided access to the best advice on business continuity and contingency planning to alleviate any possible disruption. In addition, hundreds of GSA employees worked round-the-clock on New Year's Eve, at computer centers, telecommunications networks, Federal buildings, and in the Federal Y2K command center. The effectiveness of GSA's planning, coordination and information-sharing is an important part of the reason that the year 2000 came in without incident.

Our work on computer security and privacy issues will have even more impact in the future, as more and more business is done online and more and more security issues arise. Protecting the information that is critically important to the nation and its people could quickly become one of our most important missions.

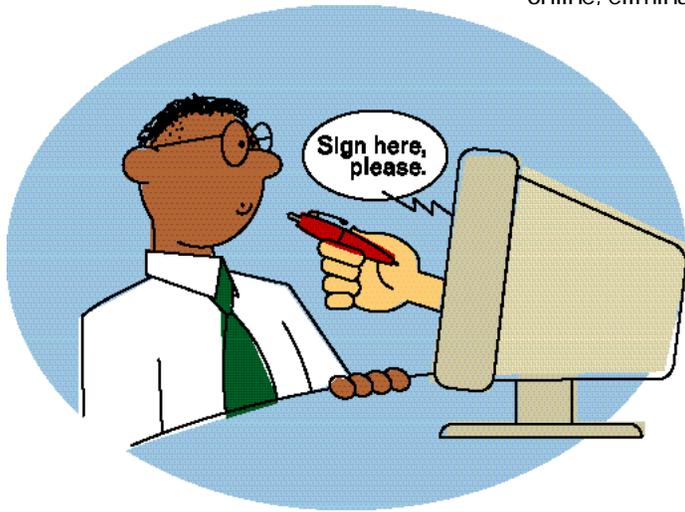


Presidential Decision Directive (PDD) 63 calls for a national effort to assure the security of increasingly vulnerable interconnected public and private infrastructures of the United States. Since the issuance of PDD63 in 1998, GSA has been developing a full range of professional services and unique products to strengthen the nation's defenses against unconventional threats to the U.S. including terrorist attacks, attacks on our critical infrastructure, and cyber attacks.

The President also charged GSA with helping agencies develop private, secure, and effective communication with other agencies and the public through the use of digital signature technology. The Government must be able to protect the confidentiality of citizens' information, authenticate the identity of the parties to a transaction, guarantee that information is not altered in an unauthorized way, and provide access when needed. These serious concerns call for new methods of identification and authentication.

To meet this charge, GSA awarded the first contracts under our new Access Certificates for Electronic Services (ACES) program in FY 2000. ACES uses digital signature technology to ensure the security of electronic transactions. This ability to identify the senders of electronic messages and ensure the integrity of the messages themselves is a prerequisite for greater Federal use of the Internet in

doing business. ACES will permit users to execute agreements and contracts online, eliminating the need for paper documentation of even the most sensitive transactions.



Over 110,000 electronic certificates were awarded in FY 2000 — to the President, the Department of Veterans Affairs, the Federal Emergency Management Agency, and the Department of Education. Many Federal agencies are also offering ACES certificates free to the public and business partners to enable them to authenticate electronic digital signatures to deal with the Government electronically in a secure and protected way.

#### Providing State-of-the-art Technology Solutions

After repeal of the Brooks Act in 1996, GSA assumed the role of providing tools and support for Federal information technology programs and relinquished our oversight authority. Federal agencies acquired nearly \$5 billion in state-of-the-art technology products and services from GSA in FY 2000. Viewing our mission as more than simply procurement of commodities, we offer agencies value-added services, advising them of various contracting options and tailoring solutions to meet their needs. We develop and package products and services, using a variety of contracts from GSA and other sources to provide comprehensive solutions to meet our customers' needs. These include computer hardware, software, cabling, wireless, local and long-distance telecommunications,

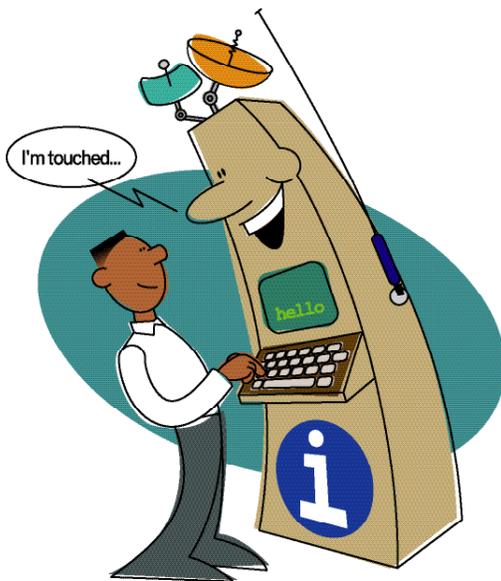
One of GSA's most impressive roles is that of extending the benefits of the Federal Government's massive buying power to help less-advantaged people and groups

call centers, data centers, Internet access, e-mail, systems integration and other products and services. Federal customers can also buy the IT equipment they need from GSA Schedules contractors, who are listed in the online e-library and accessible through GSA *Advantage!*<sup>TM</sup>.

#### Ensuring Accessibility of the Online Environment

GSA never forgets its role in serving the needs of all Americans, by extending the benefits of the Federal Government's massive buying power to help less-advantaged people and groups. One way we do this is by ensuring that all Federal electronic and information technology—and all Federal Web sites—are accessible

to individuals with disabilities. Designated as the executive agent for implementing Section 508 of the Rehabilitation Act, GSA develops the standards to ensure that all Federal online information can be received by more than one sense. Videos, for example, must be captioned. Graphics-heavy Web sites must also be available in text-only versions that can be read by voice technology. GSA is coordinating a massive Section 508 awareness and training campaign in partnership with technology enterprises. In addition, through its maintenance of the Federal Acquisition Regulation, GSA will ensure that the IT equipment purchased for use by the Federal Government is adaptable for use by people with disabilities. Just as it provides a market that will encourage the manufacture of environmentally friendly automobiles and the use of recycled paper, GSA's leadership in ensuring the accessibility of the online environment helps extend the power of the Internet to all groups in our society.



### Modernizing GSA Supply Distribution

The paradigm-shifting technology of e-Government has had a significant impact on GSA's old-line businesses as well. In FY 1999, confronting declining sales trends, a challenging array of customer demands, and the reality of e-commerce's impact on our real-time supply distribution operations, we recommended closing GSA's remaining distribution centers and forward supply points. Recognizing that the role of the middleman is being redefined in the Internet age, GSA is considering reducing its role in the inventory management business to focus on facilitating direct transactions between agencies and vendors. Under a proposal being discussed at the end of the fiscal year, GSA would close six of its eight distribution centers to adjust for excess capacity, while keeping two open for the time being to provide a continuous distribution service for remaining customers.

### Helping People Find Government Services Online

For those who don't have ready access to computers, GSA makes Government information available through other technology. GSA-built intergovernmental kiosks around the country provide touch-screen access to Federal, State, and local Government services listed by topic. We are working with shopping malls, large department stores, and Federal, state, and city officials to establish locations for additional kiosks. For those who prefer to let their fingers do the walking, we have worked for years with local phone companies and telephone-book publishers to make the Government listings in over 6,000 telephone books more user-friendly. Our blue pages project uses common-sense categories and icons to make it easy to find Government services in the telephone book. Now we are working to put the blue pages online.

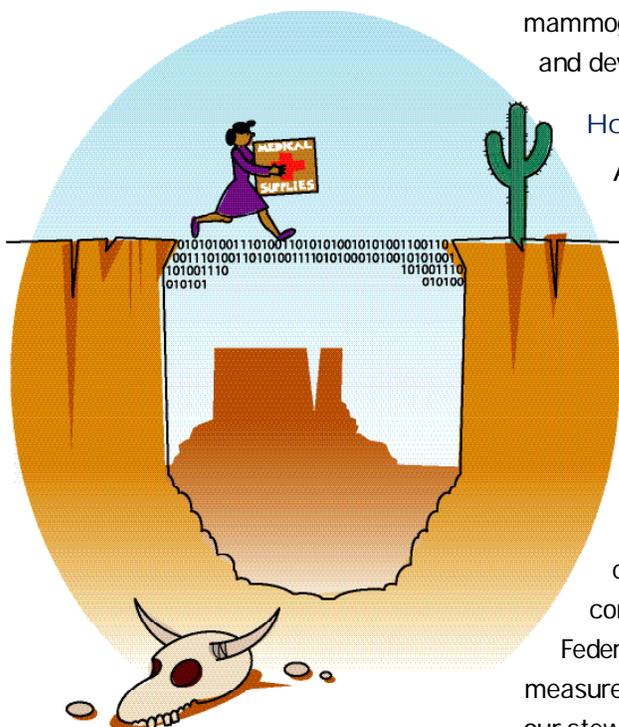
Since striking an agreement to provide long-distance service to the Tribal Nations a few years ago, GSA has helped bridge the "digital divide" that impedes the extension of Internet access and other online services to remote Tribal locations

throughout the country. In FY 2000, we brought online medical assistance to the Navajo Nation through the Native American Broad Band High Speed Network. We identified the contracts needed to develop a telemedicine project, install a mammography unit, improve the transmission of x-ray films and healthcare data, and develop a virtual collaborative health environment.

### Housing Federal Workers in Real Space

Although GSA is moving by leaps and bounds into the virtual space of the Internet, it's important to remember that the biggest service we provide is in housing over 100 Federal agencies and furnishing their workspace. We earned \$5.7 billion in rent and other income in FY 2000 for over 334 million square feet of rentable space, and provided almost \$1 billion in reimbursable space alterations and services. We provided billions of dollars' worth of furniture, appliances, paper, pens, copiers and other supplies. We coordinated space, furnishings and supplies for 1,380 State and District offices for Senators and Members of Congress. We built courthouses. In FY 2000, we completed five, renovated two and had 16 courthouses in process as part of a \$3.7 billion decade-long courthouse construction program. While continuing to bring design excellence to the Federal buildings in American communities, we have strengthened performance measurement in the construction and management of all the 8,300 facilities under our stewardship. Though it has been in place for only two years, our Linking Budget to Performance program has already shown significant improvements in GSA's customer satisfaction scores and the efficiency of our building operations.

As one more example of how far we've come from the mandatory environment of our early years, GSA is helping rewrite Federal property laws to let agencies make their own decisions about subleasing, out-leasing, exchanging, conveying or selling their property — and to allow them to keep the proceeds. This major legislation

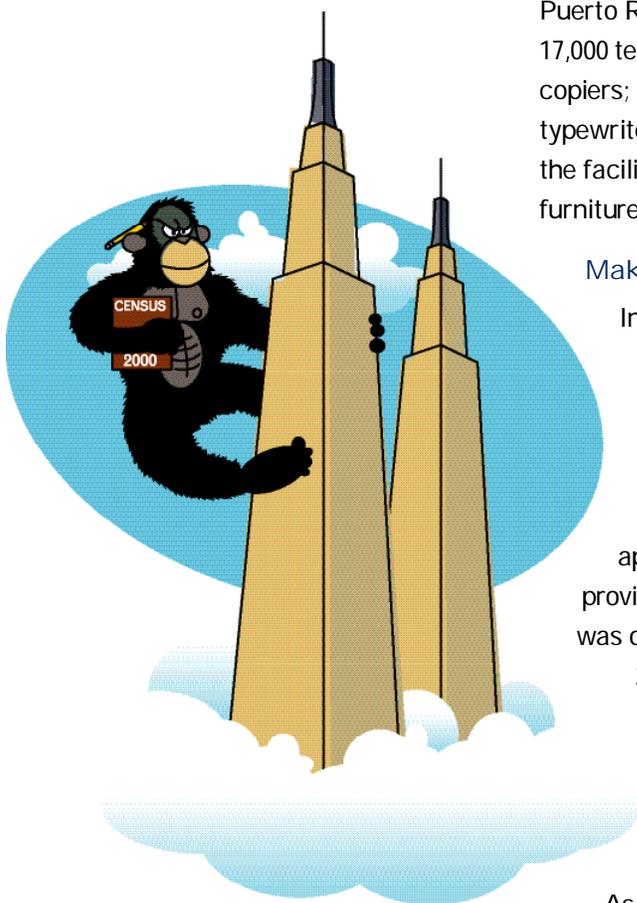


## GSA-built intergovernmental kiosks around the country provide touch-screen access to Federal, State, and local Government services listed by topic

providing incentives and fielding a program that will vastly improve Federal asset management practices and public/private partnerships is expected to receive early consideration by the 107th Congress.

# GSA has helped bridge the “digital divide” that impedes the extension of Internet access and other online services to remote Tribal locations throughout the country

GSA's ground-breaking partnership with the U.S. Census Bureau was our most notable interagency collaboration in recent years. Initiated by an agencywide team of experts representing GSA, this partnership was formalized in February 1998, just in time to build a network of local offices for nearly 800,000 census-takers in FY 2000. GSA provided supplies, telecommunications and 4.5 million square feet of office space — equal to more than two Empire State Buildings — to support the decennial census. By Census Day in April 2000, GSA had negotiated separate leases for 1,027 offices — ranging from 500 to 8,000 square feet each — in all 50 states and Puerto Rico. In all, GSA provided 900 miles of telephone wire; 26,000 phone jacks; 17,000 telephones; 37,000 telephone service orders; 113,365 pieces of furniture; 663 copiers; 1,311 fax machines; 700 million pounds of printed materials; and 520 typewriters, shredders and hand trucks. When the census had been completed, the facilities were shut down and GSA efficiently disposed of the equipment, furniture, supplies and space.



## Making Quality Child Care Affordable

In its support of family-friendly workplaces, GSA took a giant step in FY 2000 toward making child care affordable to more Federal employees. GSA oversees 113 child care centers in Federal facilities that serve around 8,000 children. Nearly 88% of the GSA centers are accredited by the National Association for the Education of Young Children, significantly higher than the national average. A general provision in GSA's FY 2000 appropriations legislation allowed Federal agencies for the first time to provide tuition assistance for lower-income employees' child care needs. GSA was one of a handful of employers to develop a subsidy program, and, in FY 2000, over 50 GSA families received child care subsidies. More than twice as many families will benefit in FY 2001. We continue to work to strengthen legislation requiring background checks for all employees in Federally licensed child care facilities.

## Supporting Small Business

As the Government's procurement expert, GSA has a responsibility to ensure that the small business community is given every possible opportunity to take advantage of Federal contracting opportunities. Our goal is to ensure that a fair

proportion of the agency's contract dollars is awarded to small, minority, women, hubZone and veteran business owners. GSA reaches out to this community through seminars, workshops, publications, and small-business representatives located in GSA regional offices throughout the country. We also participate in procurement fairs and conferences sponsored by Members of Congress, trade associations and other organizations. In FY 2000, GSA awarded about \$3.2 billion in contracts to small businesses. This represents 39% of the contract obligations reported by GSA to the Federal Procurement Data System. It includes \$373 million for women-owned businesses and over \$1.5 billion for minority-owned businesses.

### Providing Environmental Leadership



On Earth Day 1998, we created PlanetGSA to inspire GSA employees to keep environmental principles in mind in everything they do. PlanetGSA supports five pillars: Build Green, Buy Green, Drive Green, Save Green, and Manage Green, which represent everything "environmental" that GSA does.

Many aspects of GSA's work are encompassed in the PlanetGSA construct. We use our unique position as the Government's building manager, procurement specialist, transportation provider and supplier to promote environment-friendly practices in all Federal agencies. We have adopted energy-saving measures and recycling in our buildings. We employ sustainable design principles in all phases of Federal construction, including initial design, remodeling, renovation, and construction waste management. The GSA Fleet has created a demand and infrastructure for electric and alternative-fuel vehicles that minimize the environmental impact of Federal vehicles. The GSA supply program offers a wide variety of recycled-content products, ranging from copier paper to carpeting.

From a modest start, PlanetGSA has had an impact well beyond just our agency. We now have 20 agreements with other agencies and even, remarkably, with Disney. Through these agreements, GSA is promoting environmental consciousness, reducing greenhouse-gas emissions and the release of dangerous chemicals into the environment, minimizing waste disposal needs, and conserving energy.

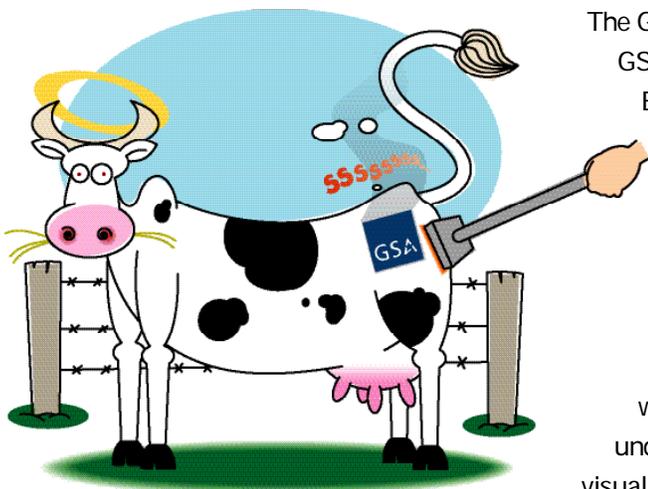
### Presenting a Unified GSA to Serve our Customers Better

While reaching out to adopt innovative technology and techniques to improve service to our customers in this continuously changing environment, GSA has also been consolidating its own internal processes to become a stronger, more unified presence on the Federal scene.

We entered the Information Age in a big way, undertaking agency-wide efforts to consolidate our many sources of data and generate information of use in serving our customers. We were among the first agencies to name a Chief Knowledge Officer who will enable us to share information from across the agency. We developed a data warehouse, which, for the first time, offers real-time desktop access to many sources of GSA customer data. We are investigating the use of agency-wide

## We entered the Information Age in a big way, undertaking agency-wide efforts to consolidate our many sources of data and generate information of use in serving our customers

Customer Relationship Management to consolidate customer knowledge developed by individuals throughout GSA. To fill out the picture, we instituted a corporate Marketing Council that weaves in customer information garnered from our front-line customer representatives throughout the country, and develops marketing strategies to address our customers' needs. It sponsors customer forums that bring together customer-agency decision-makers in frank conversations with GSA customer representatives. These forums show us how we can better meet all of our customers' needs by cutting across our own stovepipe organizations.



The GSA Marketing Council has become a strategic guide to building GSA's corporate presence throughout the Federal community. Bringing together marketing programs from all its regions and services, the Marketing Council leverages the agency's strengths to make GSA an enduring, responsive, up-to-the-minute organization that adds value by providing smarter solutions to meet all Federal workplace needs quickly, easily and at the lowest prices available.

GSA completed a major branding initiative in FY 2000, wrangling with some sacred cows to bring all agency operations together under a single brand. We adopted the "one look and feel" of a single visual system, highlighted by the GSA star mark, and a tagline, "Smarter Solutions." Like many corporations, such as IBM and Motorola, and Federal agencies like the Department of Agriculture and the Centers for Disease Control and Prevention, GSA hopes to communicate a compelling message that will inspire our customers to trust our leadership in those areas where we are

strong. The new brand highlights GSA employees' professional expertise and personal commitment to guide their Federal colleagues through the maze of procurement procedures. Its promise is that GSA will provide the highest-quality administrative services Federal agencies need so they can be free to pursue their own missions. Further, GSA will do so without neglecting the Government's social and environmental responsibilities. The new brand and visual system will help Federal agencies understand they can get all the workplace support they need through a single agency.



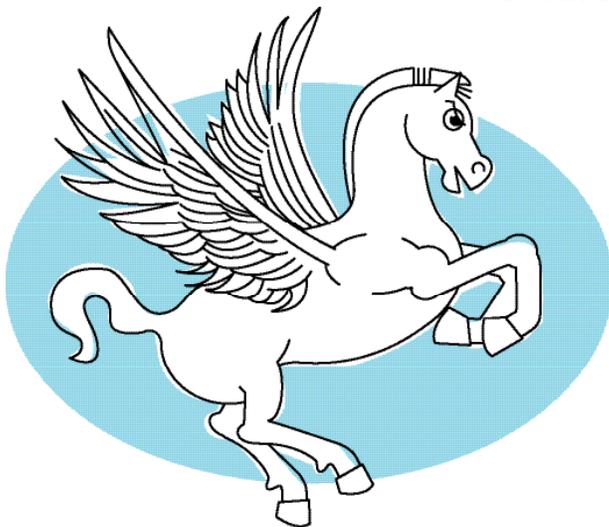
In the past several years, GSA has met the changing environment with a pioneering spirit. It has undergone a metamorphosis from being the mandatory source for Federal workplace essentials to competing for Federal business against the sharpest competitors in the world, developing new competencies and building on its strengths to meet new challenges. GSA has become an agency with a vision, one

that will lead the Federal Government to provide the smartest, fastest, cheapest and best service possible to all Americans.

**G**SA's tradition of receiving unqualified opinions on its consolidated financial statements continued in FY 2000. For the 13th consecutive year, our independent auditors provided an unqualified opinion. Among large Federal agencies, GSA's record is unsurpassed.

While we take great pride in this accomplishment, we recognize that there is more to successful financial management than clean audit opinions. The first years of this new century will bring great change in the way we do business. E-Government and new technology will challenge us to continue to strengthen financial accountability and yet become more efficient and responsive to our customers'

high-quality service and reliable and timely financial information will be to GSA in maintaining its competitive edge. We are working to expand and enhance GSA's use of new technologies to improve internal processes, vendor relationships and customer service.



Pegasys, our new integrated financial management system, was implemented for more than 2,600 GSA employees agency-wide in FY 2000. This first phase of a multi-phase project targeted processes with duplicative data entry, redundant systems and significant paper handling. Pegasys is changing the way we do business by making our internal processing electronic and paperless. As with any new system, it brings a great deal of change to its users and there are and will be initial procedures to work out. I know that working together we will overcome any initial challenges and realize a world-class financial management system at GSA.

By the end of FY 2000, nearly all of GSA's 14,333 employees were paid electronically through our Direct Deposit Program. All new employees, and 98% of all GSA employees, were paid by electronic funds transfer. Our goal is 100% participation. GSA also provided payroll services to 9,800 client agency employees.

On the external front—with customers, vendors and stakeholders—we are making significant improvements in our business processes. GSA billed Federal clients for \$13.3 billion in services and supplies in FY 2000, a 1.5% increase over FY 1999. More than 85% of this was collected directly through OPAC (the Treasury's cross-Government electronic bill-paying system). However, the 15% not made through

the Treasury required GSA to send out 272,500 bills in FY 2000. Although average monthly delinquencies declined 2.6% to \$317 million in FY 2000, and consolidation of billing addresses reduced the number of manual bills by 14%, delinquencies remain too high. We are working aggressively to expand GSA customers' use of the Treasury systems to pay for GSA's services. This will improve accounts receivable management and reduce the paper burden.

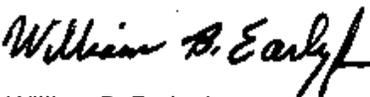
GSA's payment function is also increasingly electronic. We offer an incentive of faster payment to vendors who participate in full-cycle e-commerce. In FY 2000, 71% of all invoices were paid electronically, 21% more than last year. They account for 83% of the disbursement total, an increase of 14% from FY 1999. The percentage of invoices GSA received electronically increased from 9% to 12% in FY 2000.

GSA's disbursements for FY 2000 totaled \$12.6 billion, a 6% increase from FY 1999. About 90% of GSA's vendor payments were made on time, earning the agency \$2.3 million, or 89% of all possible discounts. This is a 2% increase over 1999.

We are also using electronic methods to improve our budget process. Working with the Treasury Department, we have implemented FACTS II to provide budget execution data electronically and generate required budget reports.

The CFO's Office continued to lead in performance measurement and implementation of the Government Performance and Results Act (GPRA). We have now completed the first full cycle under GPRA, starting with agency strategic plans, followed by performance plans, and our first performance report in FY 2000. The Legislative Branch has favorably received GSA's plans and reports, noting their clarity and quantified goals. In the coming cycle, we will build on our strong foundation by developing measures for agency-wide management functions and improving measures in a select number of critical programs.

The Office of the CFO is committed to a corporate alliance with GSA's business managers and our clients. We are dedicated to cost-effective, best-in-class financial stewardship and to being a valuable resource in achieving our customers' business goals.



William B. Early, Jr.  
*GSA Chief Financial Officer*

Created in 1949 to be an efficient central logistics and supply organization, GSA encompasses three service-delivery organizations and a policy shop: the GSA Public Buildings Service (PBS), the GSA Federal Supply Service (FSS), the GSA Federal Technology Service (FTS) and the GSA Office of Governmentwide Policy (OGP). Most

GSA operations are still conducted through its 11 regional offices.

While fulfilling the same mission in 2000 as it has for the past 51 years, today's GSA is as fundamentally different as the Internet-influenced information economy is different from the centralized industrial economy in which GSA was molded. Today, GSA works in different ways:

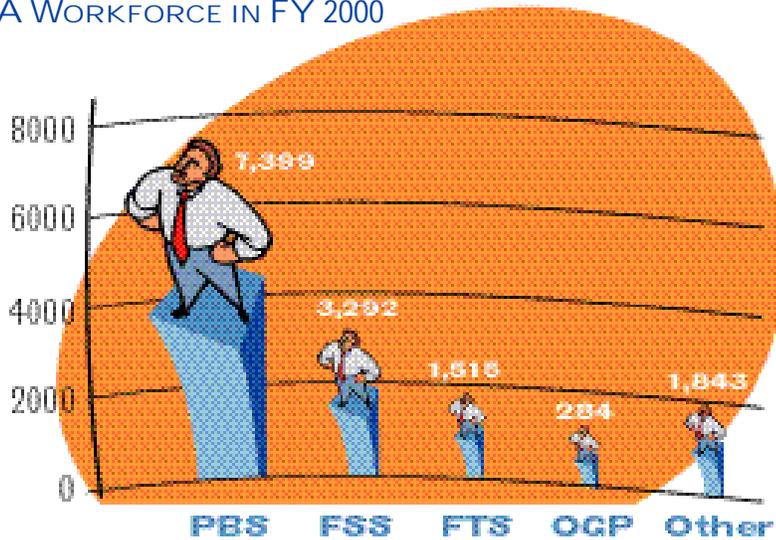
- outsourcing nearly 94% of its operational tasks through private contractors.
- competing for Federal business as a non-mandatory source of space, supplies and services for Federal agencies.

- relying increasingly on reimbursements from other agencies for its funding, so that less than 1% of GSA's operating budget—\$158 million—is directly appropriated.
- focusing attention on its policy functions, which have been separated from its service delivery since 1996.
- downsizing to just over a third the size it was at its peak in 1971; the GSA workforce in FY 2000 was 29% lower than the 1993 level.

Some of these factors have worked to GSA's advantage; others present challenges. The agency's position as provider to Federal agencies makes it uniquely able to play a major role in the Internet revolution. It is positioned to move many of its own functions online—e.g., *GSA Advantage!*<sup>™</sup>, and to play a critical role in bringing the entire Federal Government into the information economy. GSA products, such as wireless technology, digital signature capability, smart cards and SmartPay cards make virtual Government a possibility. On the other hand, the loss of its mandatory status may erode GSA's leverage. Other agencies have been authorized to develop and award Governmentwide acquisition contracts—and they are increasingly competing with GSA on its own turf. In addition, competition is coming from agencies



## GSA WORKFORCE IN FY 2000



that perform the same work in-house that GSA has traditionally performed for the entire Government. These forces make it extremely important for GSA to attend to its customers' needs and bring its underlying strengths to play in the Federal marketplace of the new age.

## GSA MISSION AND GOALS

### The GSA Mission

*We provide policy leadership and expert solutions in services, space and products, at the best value, to enable Federal employees to accomplish their missions.*

### The GSA Strategic Goals.

The agency's three-year *Strategic Plan*, issued September 30, 1997, was GSA's guide for fulfilling this mission as we moved into the new century. It incorporated four strategic goals:

1. Promote Responsible Asset Management. GSA will conserve Government resources and the assets in its care and provide

policies and best practices for Government-wide asset management.

2. Compete Effectively for the Federal Market. GSA will be the preferred provider of space, products, services, technology, and telecommunications for all Federal agencies by efficiently and economically delivering consistently high quality and best value.
3. Excel at Customer Service. GSA will thrill its customers and agency partners by developing and delivering creative solutions to meet their needs for space, products and services, technology and telecommunications, and policy guidance, and GSA will make it easy for citizens to obtain information from the Government.
4. Anticipate Future Workforce Needs. GSA will design, develop, and model future Federal work environments with state-of-the-art technology, innovation, and best

practices in use of space, furniture, equipment, telecommunications, contracts and other tools.

GSA's new three-year *Strategic Plan*, submitted September 30, 2000, incorporates the same four goals. We added a fifth general goal, one that reflects our role in helping Government meet its responsibility to individual taxpayers and to their communities. This addition signals GSA's direction in the coming decade. While we will focus on providing our customers with professional expertise as well as space and commodities, we will continue to acknowledge the importance of our role in serving the needs of all Americans.

## MANAGEMENT ISSUES

In FY 2000, GSA took several steps toward becoming a more-unified agency, adopting best business practices that will position us to perform at a high level of proficiency in the new millennium, as we continue to reinvent ourselves as a modern professional organization. We still grapple with several management issues that arose during the last decade, chiefly because of our multiple transformations. GSA went from being mandatory to being a competitive source; from bricks-and-mortar to the Internet; from hands-on provider to contract manager; and from an organization of more than 20,000 employees eight years ago, to one that is 29% smaller. We can report progress on many fronts, but some

issues remain unresolved. Some of these issues have been identified by the General Accounting Office (GAO), the GSA Inspector General (IG) and the agency's outside auditors, PricewaterhouseCoopers. The major management issues facing the agency as of September 30, 2000 are discussed below.

### Management of the GSA Federal Supply Service Depots

In July 1999, GSA began a process to transition from operation of a Government owned and operated supply distribution network to increased reliance on a system of strategic alliances with private companies. This effort reflects long-term reduced demand for the GSA-provided hands-on distribution service. It also recognizes new acquisition and logistics tools and capabilities that have evolved within Government and in the marketplace. Such a transition would leverage e-business technologies and supply channels used by GSA, its customers, and the commercial sector.

Within GSA, the labor/management process has moved through a series of partnership, grievance, negotiation, and mediation steps, including a study by an independent consultant. These actions have attempted to resolve differences between GSA and its unions on the future of GSA's distribution program. The labor/management differences are now before the Federal Service Impasses Panel. It is anticipated that a final determination by the Panel will be required, which should be

rendered during April 2001, based on their time allowances for the various steps.

### Physical Security in GSA Buildings

Improvements are needed in GSA's implementation of over 8,000 security-equipment and structural enhancements recommended by the Building Security Committees in the wake of the Oklahoma City bombing in 1995. The lack of programmatic controls and approaches resulted in concerns over the implementation and reported status of security countermeasures and the use of designated security upgrade funds for projects that did not involve a Committee-recommended countermeasure and lacked Central Office approval. Since then, GSA has made significant progress in improving physical security in its buildings through:

- A secure messaging system for the exchange of sensitive intelligence information
- Security design criteria for the construction of new facilities
- Medical and psychological standards and a testing program for GSA law enforcement and security officers
- Evaluation of over 96% of GSA buildings for security needs
- A new risk-assessment methodology
- Improved training and procedures for security personnel.

### GSA Systems Security Development and Implementation

GSA relies on its automated information systems to perform its mission and manage its operations. The agency faces a number of systems security issues related to controlling its existing systems and in replacing a number of its old systems to incorporate technological advances. These include the following:

- An FY 1999 review of eight significant GSA financial management system applications disclosed weaknesses in the control and oversight systems relating to technological and physical access, access monitoring and follow up, security awareness, and IT security program implementation and management oversight. As a result, GSA's systems remain susceptible to unauthorized access, modification or undue risk. A follow-up review during FY 2000 concluded that the control weaknesses had not been resolved.
- Another FY 1999 review of three GSA financial management systems (ITOMS, STAR, and FEDPAY) found a need for better controls over systems development and implementation processes to eliminate schedule delays and cost overruns, the need for frequent redesign, and difficulties sharing usable data between systems.

The Office of the Chief Information Officer has instituted a number of corrective actions to meet these challenges and ensure the integrity of all GSA-wide systems.

### Controls Over the Integrity of Rent Data

The OIG has become increasingly concerned about the reliability of data in the information systems used by management.

PricewaterhouseCoopers, in both FY 1999 and FY 2000, identified a reportable condition regarding controls over the integrity of rent data used to manage the Federal Buildings Fund. This concern is echoed by management, which plans to cite this issue—though not as a material weakness—in its *Federal Managers' Financial Integrity Act Report*. PBS's new FY 2000 data accuracy measure focused on correcting missing building, lease, and space assignment data in the STAR System. That effort positively affected our revenue numbers for FY 2000. Data clean-up measures planned for FY 2001 will focus on reconciling STAR data with source documents, primarily leases and occupancy agreements.

### Cash Flow in the Information Technology Fund

With explosive business growth over the past several years, the IT Fund has been experiencing a low cash balance. This is the result of increased business volumes and the 30-to-60-day lag time between payments to contractors and cash receipts from customers. While FTS negotiated an agreement with its

major customers so that they are billed through the Treasury Department's On-Line Payment and Collection System (OPAC), some problems are expected to remain with lag-times.

In March 2000, GSA established an internal task force to identify problem areas and recommend solutions required to ensure an adequate cash balance. A significant step has been improved communications with FTS' largest customer, the Department of Defense (DoD). The team has since expanded its participation to include representation from DoD. It is focusing on billing issues, improved communication, and a better understanding of both agencies' financial requirements. In addition, an agreement was signed increasing the number of program billings to DoD processed under OPAC.

FTS is continuing to take aggressive action to maintain a healthy cash position. However, as IT Fund business volume continues to grow, lag times between payments to vendors and receipts from customers further strain the Fund's cash reserves. GSA is working with OMB, Treasury and customer agencies to improve cash and accounts receivable management.

### Workforce Planning

As the GSA workforce has become smaller, it has become older. In FY 2000, fewer than 1,000 of GSA's 14,000 employees were less than 30 years old. Nearly half of the GSA workforce will be eligible to retire within five years. The employees who remained have

shown considerable initiative in taking on all the responsibilities of the agency, and GSA scores remarkably high for employee job satisfaction. Nonetheless, the agency's continuous downsizing, restructuring, buyouts and attrition have resulted in a loss of institutional memory and employee transfers into positions of responsibility without adequate training and/or experience. GSA is addressing these issues through a nationwide recruiting effort, increased reliance on contractors, knowledge sharing and by restructuring various functions performed in GSA, such as supply and procurement, property disposal, and contract management.

Despite the issues facing the agency, GSA employees rated it well above average as a place to work in the Federal Government. When the National Partnership for Reinventing Government (NPR) asked employees of 46 agencies in FY 1999 about the quality of their work-life, the response from a random selection of GSA employees was impressive. GSA exceeded the Government-wide average in four survey areas: work satisfaction, recognition, supervision and quality of work. In two categories—work satisfaction and recognition—GSA's results exceeded comparable private industry scores. GSA's score was below average only on the issue of management-union cooperation on mutual problems.

Survey results show a need for GSA to improve its scores in the areas of performance management; skills assessment and recruitment; management-union cooperation; and

the use of "plain English" in agency regulations and publications. The agency has adopted an Improvement Plan that incorporates strategies for addressing these areas.

## GSA PERFORMANCE IN FY 2000

GSA accomplished its mission at a high level of performance in all its programs. Total obligations for these programs were \$16.1 billion in FY 2000, a 3% increase over the \$15.7 billion in FY 1999.

Our key performance goals reflect: (1) the business volume in a competitive environment; (2) cost control; (3) customer satisfaction; and (4) the shift of business activity to the Internet, thus in a small way measuring how well we are addressing future challenges.

We have elected not to include any performance measures for our policy leadership function, which is conducted by OGP. This is not to minimize the importance of our responsibility in this area. At present, however, these activities have a very small impact on the financial results for GSA as represented by the financial statements. Equally important, performance measurement for these activities was still at the output stage during FY 2000. We are confident that the current effort to develop a balanced scorecard for the office and other efforts to improve measurement will yield performance measures that will take a prominent place in the key measures of GSA.

The vast differences in GSA's service-delivery organizations and their own broad mandates make it necessary to look at a variety of measures to ascertain the agency's overall performance results. We have identified 12 key performance goals for our PBS, FSS and FTS operations. GSA's success in accomplishing these goals indicates progress in achieving its four strategic goals. (See the chart on page 26.)

While it is difficult to combine the performance results of three such disparate organizations, we can draw some general conclusions. GSA's most impressive performance, across the board, is in keeping its costs down. Traditionally one of GSA's strengths, cost control can be seen in PBS' income from operations, in PBS' and FTS' control of operating costs, and in FSS' cost of sales.

GSA's abilities to generate its share of the market for its specific business lines provide a greater challenge. We achieved our target share of the Federal fleet this year. But we were disappointed in our attempt to garner 15.8% of the Federal IT/telecommunications market.

Customer satisfaction is a critical measure for GSA—our customers are our reason for being. While all GSA Services conduct customer satisfaction surveys, our challenge is to be able to act quickly on the survey results. Those data show customer satisfaction jumped from 81% to 85% for both Government-

owned and leased properties in FY 1999, but dropped to 82% and 80%, respectively, in FY 2000. Supply and Procurement customer satisfaction surveys are conducted biennially, and the data reported in FY 2000 are for the years FY 1999-2000. Although FSS set its performance targets to measure only "highly satisfied" customers, it should be noted that overall satisfaction with GSA's Supply and Procurement programs reached 96%. FTS surveyed both IT Solutions and Network Services customers to determine their satisfaction with its programs, products and services and with FTS representatives. In the aggregate, over three-fourths of the respondents expressed satisfaction.

It is more difficult to measure our less tangible, though increasingly important, role in anticipating future workforce needs for the Federal Government. With the objective of employing advanced information and Internet technology to make the acquisition of products easier and faster for all Federal agencies, we set a goal of making 50% of the GSA schedules contracts accessible on the Internet via GSA *Advantage!*<sup>™</sup>. Although we got only 35% of our contracts online in FY 2000, we expect to make nearly all of them Internet-accessible by meeting our FY 2001 goal of 95%.

*See the summary of GSA's Performance against Performance Goals in FY 2000 on page 126.*

## GSA's Performance Against Key Performance Goals in FY 2000

	Performance Goals	FY 2000 Target	FY 2000 Actual
<b>Strategic Goal 1</b> <i>Promote Responsible Asset Management</i>	Generate a capital investment contribution of 2.5% to 4.5% of the functional replacement value of the owned inventory.	2.5%-4.5%	4.0%
	Reduce the amount of non-revenue-producing space in Government-owned buildings to maximize rental income.	13%	12.2%
	Maintain building operations costs in office and office-like space to 12% below private sector benchmarks.	12%	17%
	Reduce costs while expanding supply and procurement support to Federal agencies, thereby reducing the cost per \$100 sales by over 9%.	\$2.66	\$2.35
<b>Strategic Goal 2</b> <i>Compete Effectively for the Federal Market</i>	Dollar volume of GSA supply and procurement programs.	\$14.1 billion	\$16.3 billion
	Increase GSA's share of the Federal fleet.	46%	46%
	Increase (IT Solutions and Network Services) business volume to obtain 15% of the Federal IT market.	15.8%	14.2%
<b>Strategic Goal 3</b> <i>Excel at Customer Service</i>	Percent of tenants that rate GSA-owned space as satisfactory or better.	81%	82%
	Percent of tenants that rate leased space and services as satisfactory or better.	81%	80%
	Percent of responses in the "highly satisfied" category for Supply and Procurement programs.	63%	72%
	Ratings of satisfactory or better on annual customer service survey for IT and network programs, products, services and representatives.	80%	76%
<b>Strategic Goal 4</b> <i>Anticipate Future Workforce Needs</i>	Percent of Schedule contracts available through Internet connectivity ( <i>GSA Advantage!</i> <sup>™</sup> )	50%	35%

Robert A. Peck  
Commissioner

Employees: 7,399

#### Resources:

Federal Buildings Fund Revenue: \$6.7 billion

Rental and Miscellaneous: \$5.7 billion

Reimbursable: \$968 million

Other Funding (Direct Appropriations  
and Reimbursable): \$40 million

Recognized as the largest commercial-style real estate organization in the nation, the GSA Public Buildings Service (PBS) maintains an estimated 334 million rentable square feet of workspace for over a million Federal employees in more than 1,600 American communities. About 41% of Federal office space is included in this inventory of 1,800 Federally owned and 6,500 leased buildings.

PBS provides real estate and related services for about 100 Federal organizations. It is responsible for the construction, leasing, management, maintenance, and protection of Federal office buildings as well as courthouses, border stations, laboratories and data processing centers throughout the nation and also disposes of unneeded Federal property.

The funding mechanism for PBS is the Federal Buildings Fund. In FY 2000, it received \$5.7 billion in rental and other income from tenants and \$968 million for reimbursable work.

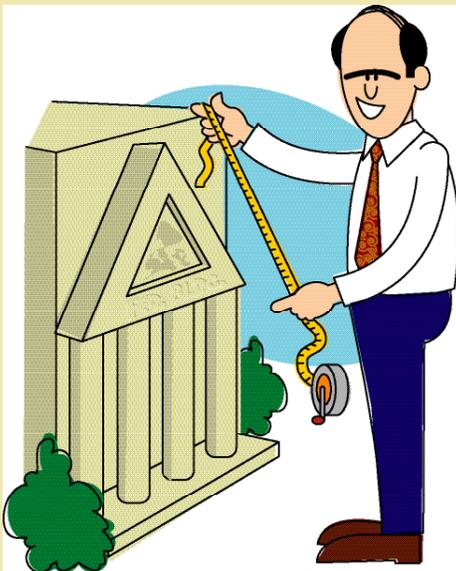
New obligational authority was \$5.5 billion in FY 2000. Overall, 91% of all PBS program dollars are spent

through contracts with the private sector for construction, leases, maintenance, repairs, protection and other services.

## PBS PERFORMANCE IN FY 2000

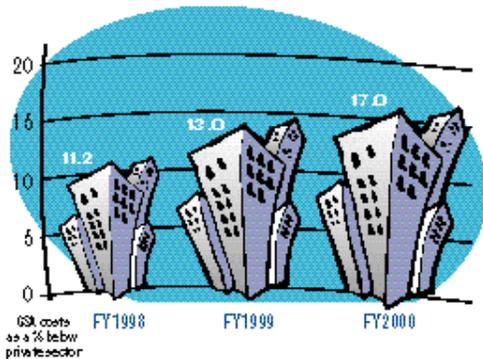
In FY 2000, PBS reached or exceeded annual performance goals for some of these key measures, specifically:

- Revenues were up 4.7% from \$6.4 billion in FY 1999 to \$6.7 billion.
- PBS generated a \$1.28 billion contribution to capital that was 4% of the functional replacement value of its Government-owned real estate inventory, within the FY 2000 target of 2.5% - 4.5%. This is a measure of the funds available for repairs, modernization, interest, debt-reduction and construction after PBS pays its operating costs. It is also a measure of the extent to which PBS is successful in collecting revenue and reducing expenses. It replaces the funds-from-operations measure reported in 1999.
- Overall customer satisfaction ratings for both Government-owned and leased space declined in FY 2000 from 85% in FY 1999. Customer satisfaction with Government-owned space scored 82% in FY 2000; leased space scored 80%.



- GSA maintained its average operating expenses at approximately FY 1999 levels, as costs per rentable square foot of office or office-like space reached \$4.19. Although this represented a slight increase over costs per square foot of \$4.17 in FY 1999, the gap by which GSA exceeded private sector performance improved significantly in FY 2000, from 13% to 17% below comparable private sector costs. This measure was broadened in FY 2000 to cover "office-like" space as well as office-space and make it more comparable to private sector practices.

GSA OPERATING COSTS PER SQUARE FOOT VS. PRIVATE SECTOR COSTS



- Non-revenue-producing Government-owned space was 12.2% of the GSA inventory. This was a significant improvement over the 13.5% posted in FY 1999. GSA continued to reduce the proportion of non-revenue producing leased space from 3.7% in FY 1999 to 3.3% in FY 2000, exceeding its 3.6% goal for the year.

## LINKING BUDGET TO PERFORMANCE

In FY 1998, PBS identified several performance indicators that would

reflect the core drivers of its regional operations and serve as the centerpiece for its Linking Budget to Performance incentive program. In FY 2000, the "Big Nine" measures were:

- Funds From Operations
- Customer Satisfaction
- Non-revenue-producing Space
- Operating Costs Compared to Industry
- Leasing Costs Compared to Industry
- Indirect Costs as a Percentage of Revenue
- Data Accuracy
- Capital Investment Program
- Security – Customer Satisfaction.

The PBS budget allocation is directly tied to performance at all levels, especially in the regions, where better performance yields national recognition awards. This initiative has changed the way management and employees measure success. In two years, PBS has shifted its day-to-day focus to longer-term outcomes and accomplishments. Employees are working across organizational lines to help one another meet performance targets and are committed to maximizing performance in their respective areas of expertise. Overall, Linking Budget to Performance has achieved savings of approximately \$400 million since its implementation in mid-1998.

GSA identifies and disseminates "good practices" that contribute to excellent performance on each of the Big Nine measures. These suggestions for improved performance are collected

and shared with employees through a database and intranet site and circulated through a targeted listserve, monthly electronic bulletins, forums and word of mouth. To date, more than 150 good practices have been distributed.

## RENT PRICING

In recent years, GSA's rent-pricing structure has been simplified to more closely resemble commercial practice. Rents in Federally owned space are based on current market appraisals and include a basic security charge. With leased space, actual lease payments to the owner (plus an administrative fee) are also determining factors. GSA expanded its application of the new pricing structure to all leased and owned space in FY 2000. Customers are able to download their rent bill off the Internet and can use the data to estimate their own future budget needs.

## DESIGN AND CONSTRUCTION

GSA's Chief Architect is the guiding force for our design and construction program, ensuring high-quality construction for the best value. An internationally recognized Design Excellence Program and several design vision competitions each year are dramatically improving the design quality of GSA facilities. To assure that its high standards continue to be met, GSA launched a Construction Excellence Program which guarantees quality won't be sacrificed during construction.

In FY 2000, the Design and Construction Excellence Program was expanded to include lease-construction projects and two major projects were completed in Jamaica, NY — new regional headquarters for the Food and Drug Administration and for the Federal Aviation Administration.

GSA continues work on the largest U.S. courthouse construction program in history. Begun in the 1980s, the program calls for 159 new courthouse construction projects to be completed in this decade.

In FY 2000, GSA completed five new courthouses, in Central Islip, NY, Las Vegas, NV, Omaha, NE, St. Louis, MO, and Tucson, AZ. The courthouse construction program has delivered 32 new courthouses in all, at a cost-to-date of \$3.7 billion. It had 16 new construction projects in process at the end of the year. For one such project, GSA broke ground for a \$430 million court project in downtown Brooklyn, NY, including construction of a new 15-story courthouse and the renovation and adaptive reuse of a nearby historic General Post Office building dating to 1892.

Also in FY 2000, GSA completed two major courthouse renovations. In Old San Juan, GSA renovated the historic U.S. Post Office and Courthouse constructed in 1914 to serve as the first traditional home of the U.S. Government in Puerto Rico. In Chicago, the Everett McKinley Dirksen U.S. Courthouse gained eight new courtrooms without interrupting court proceedings. GSA's \$18 million

renovation to the modernist Mies van der Rohe structure was accomplished without altering the building's architecture or affecting its structural integrity.

The GSA project team for the Metzenbaum Courthouse in Cleveland, OH, has done unprecedented work in identifying ways to undertake a modernization and reuse project in the *National Register*-listed building while maintaining and restoring interior spaces of historic significance. The \$24 million renovation was named the top prospectus alteration/design priority for FY 2001.

Although the safety of those who work in and visit Federal buildings is one of GSA's top priorities, GSA is committed to making Federal buildings attractive, open and accessible to the public. To meet the challenges of these conflicting objectives, GSA has designated the new Federal courthouses in Springfield, MA, and Eugene, OR, as pilot projects for developing innovative security approaches while maintaining openness.

## HISTORIC BUILDINGS AND THE ARTS

Approximately 450 GSA buildings have been designated historic for their architectural or cultural significance. GSA has made the stewardship of these buildings an agency priority, developing and implementing comprehensive strategies to ensure their viability. In FY 2000, the GSA Historic Buildings Program compiled a desk guide of over 110 of the agency's best preservation practice

documents, as a follow-up to last year's comprehensive *Held in Public Trust: PBS Strategy for Using Historic Buildings*. We also conducted a nationwide study on leasing of GSA historic buildings. The study led to a training program that helps GSA real estate professionals overcome obstacles to historic building reuse and agency location in historic districts and older central business areas.

National, State and local organizations continue to recognize GSA's leadership in historic preservation. The Historic Landmarks Foundation of Indiana awarded GSA its *Special Achievement in Historic Preservation* for restoring the Federal Building and U.S. Courthouse in Indianapolis. GSA was praised for its conservation of stained and art glass windows and skylights, restoration of interior decorative painting and exterior limestone, and the installation of decorative brass hand railings. GSA also won the *John Wesley Powell Prize for Excellence in Historic Preservation* from the Society for History in the Federal Government for the rehabilitation and restoration of the Post Office and U.S. Courthouse in Old San Juan, Puerto Rico. And, for the third time, GSA's Gene Snyder U.S. Courthouse and Customhouse in Louisville, KY, won the Building Owners and Managers Association's *Regional Building of the Year Award* in the historic building category.

GSA's Art-in-Architecture Program commissions artworks that are integral parts of a new building's

architecture or adjacent landscape, providing the American public with Federal buildings and courthouses that enrich the cultural, social, and commercial resources of the communities where they are located.

In FY 2000, GSA installed 14 new artworks. A notable example is *Lens Ceiling*, created by James Carpenter Design Associates for the Sandra Day O'Connor U.S. Courthouse in Phoenix. An inverted glass dome that resonates with historical and cultural meaning, it functions as the ceiling of the building's special proceedings courtroom. In keeping with the Art-in-Architecture mission, the courthouse itself, designed by architect Richard Meier, exemplifies collaboration between architect and artist.

For the U.S. Courthouse in Minneapolis, sculptor Tom Otterness created *Rockman*, a whimsical grouping of cast-bronze figures that is an allegory of how governing bodies are formed to guard against social chaos. The artist approached this weighty topic with a sharp wit, combining contemporary, popular imagery with literary and mythological references.

GSA's Fine Arts Program provides all curatorial and collection management activities for the vast, nationwide inventory of fine art under GSA's stewardship. The Fine Arts Collection is one of the nation's largest and most diverse Federal art collections, consisting of approximately 17,000 paintings, sculptures, architectural or

environmental artworks, and fine-art graphics dating from the 1850s. Conserving this invaluable legacy is a primary role of the Fine Arts Program. During 2000, GSA oversaw cyclical inspection of more than 1,000 artworks, and initiated the conservation of more than 200 of them.

The Fine Arts Program also secures appropriate new locations for artworks that, for various reasons, have become displaced from their original sites. One such project was the reinstallation of a sinopia (or under-drawing) discovered behind a fresco that artist Ben Shahn painted for an elementary school library in Roosevelt, NJ, in 1937, depicting aspects of immigration and the American textile industry. A sinopia is a full-scale painted sketch used to guide the daily application of plaster while a frescoed mural is being created. The Shahn sinopia was discovered when the fresco was removed for conservation. After being displayed for many years at the National Portrait Gallery in Washington, DC, it was donated to GSA by the Roosevelt, NJ, Board of Education. GSA created a permanent home for it in FY 2000 in the Mitchell H. Cohen U.S. Courthouse Annex in Camden, NJ.

Also in FY 2000, GSA reinstalled two murals created under the Works Progress Administration (WPA), but which had never been publicly displayed. *Town of Kansas*, by Frederick Emanuel Shane and *Watt's Mill*, by Walter Bailey were created in 1933-34 but never installed. The works were stored in the basement of the

Jackson County Jail in Independence, MO, and returned to GSA in 1996. Following conservation and their installation in the Charles Evans Whittaker U.S. Courthouse in Kansas City, MO, the murals are now on public view for the first time.

## ENVIRONMENTAL PERFORMANCE

GSA builds progressive yet sensible environmental practices into its building operations and construction management. Compliance with Federal, State and local environmental requirements is a top priority. When we acquire sites, we ensure they are free of environmental hazards. Through skillful negotiation PBS saved \$3.7 million for environmental remediation on property valued at \$13 million in our Pacific Rim Region. The costs were absorbed by the municipal or county developers who wanted a Federal presence at these sites.

GSA has an award-winning recycling program. About 83% of all Federal office buildings nationwide participate in recycling. As a result, more than a third of the office waste stream generated in these buildings is recycled, saving more than \$23 million in landfill and hauling costs. In addition, GSA recycles a fourth of its construction waste. We also use products that are recycled. GSA's entire paper supply is of 30% recycled content; 29% of the building insulation used comes from recycled sources; and 60% of the concrete used contains fly ash, a byproduct of burning coal.

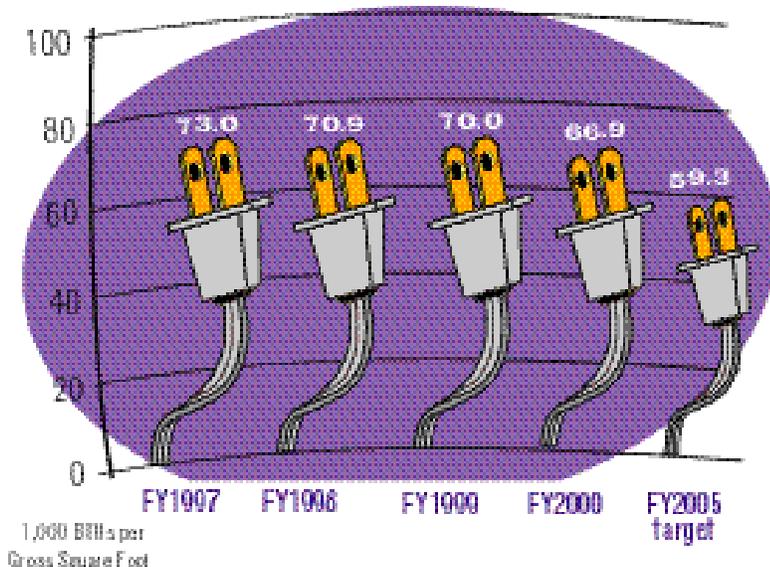
GSA is integrating "green" design principles into its planning, construction, repair, alteration, leasing and operating practices. One of its most significant "green" construction projects showcases these principles. It is a state-of-the-art EPA Laboratory that uses recycled materials in its construction and recycles its own construction waste. The building, due for completion in June 2001, will use energy-saving utilities and replenish neighboring wetlands with water runoff from the roof. Sustainable design principles are being disseminated throughout PBS, beginning with the 400 employees who received training in FY 2000.

buildings. Preliminary data show the energy consumption rate in GSA buildings, at 66,861 BTUs per gross square foot, is currently better than the revised 67,144-BTU Federal energy-use target for FY 2000. This consumption rate is 20.3% below the 1985 baseline level and meets the FY 2000 target. The FY 2005 target is 30% below 1985 levels.

Taking advantage of a competitive, deregulated electric industry, GSA has leveraged its position as a buyer for the Federal Government to bring down energy costs for itself and its customers. Combining its energy requirements with those of 13 other Federal organizations and three

GSA joined forces with several energy companies in the Northeast to create one of the largest solar energy systems in the region. The 372 solar panels that make up the Solar Electric System on the John F. Williams Coast Guard Building in Boston generate about 28,041 kilowatts per hour. The system was put in place after an Energy Department audit tagged the building as one of the region's higher-cost energy users. Year after year, GSA buildings are designated models of strategic energy management and environmental responsibility and dubbed "Energy Star" buildings. Sixty-eight GSA buildings earned the label in FY 2000.

### ENERGY CONSUMPTION RATE IN GSA BUILDINGS (THOUSANDS OF BTUs PER GROSS SQUARE FOOT)



### ENERGY CONSERVATION

Directed by Executive Order to reduce its energy consumption, GSA is partnering with many local utilities and energy services companies to reduce energy use in Federal

nonprofit organizations in Pennsylvania and Delaware, GSA executed a \$19 million electricity buy that will cut their annual electricity costs by over \$1 million.

GSA's successful energy conservation program attracted international interest in FY 2000 as GSA co-hosted a workshop with the United Nations on Energy Efficiency, Global Competitiveness and Energy Deregulation. The event attracted 600 international participants who attended workshops covering global energy issues, emerging technologies, energy solutions, alternative financing options, and the deregulated environment.

### REAL PROPERTY DISPOSAL

Like other real estate organizations, GSA is incorporating the Internet into its business and has laid the groundwork for Internet-based activities. With the inauguration of online auctions, Property Disposal has secured its position in the e-commerce community. GSA has integrated Web-based applications with existing

systems to simplify procedures for its customers, as Web-based operations significantly reduce paperwork and facilitate a faster, two-way flow of information.

## SECURITY IN FEDERAL FACILITIES

GSA's Federal Protective Service (FPS) is evolving from a reactive posture of patrol and incident response to a proactive stance of crime prevention and threat reduction. Since the 1995 bombing of the Murrah Federal Building in Oklahoma City, GSA has tripled spending on security to about \$250 million annually and has doubled the number of uniformed FPS Police Officers to about 528. The number of contract guards has risen to about 6,000. In addition, GSA has hired more than 70 Law Enforcement and Security Officers, uniformed, multi-skilled men and women who perform a wide range of physical security and law enforcement duties.

GSA increasingly emphasizes "community policing," which gets officers back on the streets in cities and communities around the country. With increased training under this new model, uniformed officers aggressively patrol in and around buildings, looking for security gaps, gathering information, training building tenants in deterrence, and monitoring the performance of equipment and contract guards.

In the aftermath of the bombing of the 1995 Oklahoma City bombing, GSA has made many improvements to the security of its buildings. Although all the security-equipment and structural enhancements recommended by

Building Security Committees have not been fully implemented, GSA is making significant progress. Over 96% of GSA buildings have been evaluated for security needs and a new risk-assessment methodology has been adopted. GSA is continuing to work on a set of outcome-oriented performance measures for physical security. Specially, we have developed a secure messaging system; security design criteria for new facilities; and stricter standards, better training and improved procedures for FPS personnel. Funding for an upgraded security system will be provided by increased security charges included in rent payments.

GSA shares its knowledge about weapons of mass destruction. Participants in a recent awareness/instructional workshop included representatives from the Social Security Administration, the Internal Revenue Service, the U.S. Immigration and Naturalization Service, Immigration Court, the U.S. Attorney and contract security personnel. The training focused on indicators, fallacies, vulnerabilities and courses of action, and was directed toward those with little or no familiarity with weapons of mass destruction.

At the Statue of Liberty, where the volume of visitors can reach up to 24,000 a day in the summer, U.S. Park Police grew concerned about perimeter security and reached out to GSA for advice to protect this national treasure. GSA worked with the Park Police for three months in FY 2000, conducting a security survey and risk analysis to evaluate the threats and vulnerabilities associated with Liberty Island and the Statue of Liberty.

## URBAN DEVELOPMENT

GSA adopted its Good Neighbor policy four years ago to build strong community relations and create more livable communities. We are leveraging our real estate activities to spur local development efforts through technical assistance, projects and outreach to cities where Federal facilities are located. GSA worked with more than 200 communities on 25 projects in FY 2000, helping jump-start Federal development in support of community efforts. We renewed agreements with 20 Business Improvement Districts across the country and established partnerships with private organizations on projects such as measuring the impact of Federal buildings and workers on communities and the revitalization of public plazas.

## CENTERS OF EXPERTISE

PBS operations are conducted largely through GSA's 11 regional offices. In addition, PBS has created national Centers of Expertise that have responsibility for specialized functions. Bringing together core groups of specialists in one place, they leverage dwindling resources, accommodate fluctuating regional workloads and deliver state-of-the-art expertise, best practices and operational guidance as needed. These centers provide specialized expertise in Border Stations, Child Care Operations, Courthouse Management, Energy, Historic Buildings and the Arts, Presidential Libraries, and Urban Development.

Donna D. Bennett  
Commissioner

Employees: 3,292

#### Resources:

General Supply Fund Revenue: \$2.7 billion

Other Funding: \$23 million (Direct  
Appropriations and Reimbursable)

The GSA Federal Supply Service (FSS) leverages the Government's vast buying power and the professional expertise of its staff to offer quality products and efficient service, helping agencies reduce their own investments in acquisition and in the management of federal personal property assets. Through FSS programs worldwide, GSA provided agencies with products and services worth \$22 billion in FY 2000, a 29% increase in business over the comparable total of \$17 billion for FY 1999.

FSS serves customer agencies through four business lines: Supply and Procurement, Vehicle Acquisition and Leasing Services, Travel and Transportation, and Personal Property Management. These business lines cover nearly all their costs of operations with the revenue they generate.

## FSS PERFORMANCE IN FY 2000

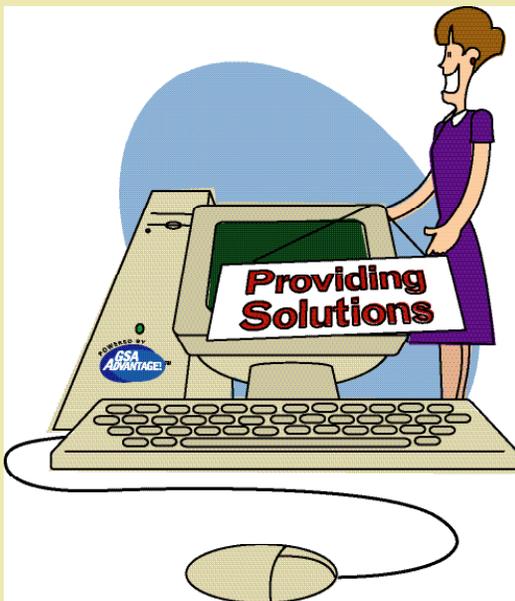
FSS met or exceeded most of the key goals set forth in GSA's FY 2000

*Performance Plan* by:

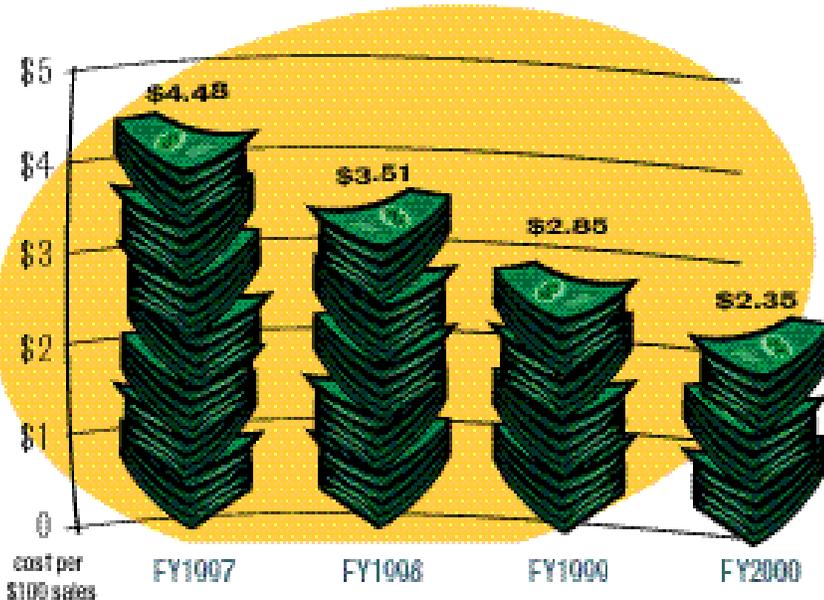
- Reducing the cost of Supply and Procurement programs by 18% from \$2.85 per \$100 sales to \$2.35, exceeding the FY 2000 target by 31 cents per \$100.
- Increasing the dollar volume of Supply and Procurement programs to \$16.3 billion, over \$2.2 billion more than the goal for the year.
- Raising the GSA share of the federal motor fleet to 46% of the civilian, non-tactical Government fleet outside the U.S. Postal Service. This was 2% higher than the FY 1999 market share and met the FY 2000 goal.
- Exceeding its FY 1999/2000 customer satisfaction goal for the Supply and Procurement business line by achieving a 72% "highly satisfied" rating and an overall satisfaction score of 96%.

Some FSS performance goals were not met, specifically in one key area:

- Our goal for making 50% of schedule contracts accessible to customers through GSA's online ordering system, *GSA Advantage!*<sup>™</sup> was not met. We achieved 35% accessibility. GSA hopes to have 95% of its Schedule contracts online by the end of FY 2001.



## SUPPLY AND PROCUREMENT COST PER \$100 SALES



### SUPPLY AND PROCUREMENT

GSA's Supply and Procurement business programs save money, shorten lead times and eliminate hassles for GSA's customers, delivering \$16.3 billion in products and services in FY 2000, a 28% increase from \$12.7 billion in FY 1999. With over 8,800 contracts in place (18% more than the 7,400 contracts in FY 1999), the fastest growth has occurred in service and technology offerings.

The growth in the Supply and Procurement business line continues to benefit Federal customers, largely as a result of the expanded GSA Schedules program. The GSA Stock program, by contrast, has declined. GSA's overall cost per \$100 sales of Supply and Procurement programs has dropped because of the rapid growth of the comparatively low-cost Schedules.

### Federal Supply Schedules

Sales of information technology and the expansion of services are the driving force behind the GSA Schedules. Sales rose to \$15.1 billion in FY 2000, a 32% increase over the \$11.4 billion recorded in FY 1999.

Federal customers can acquire more than 4 million products and services directly from commercial suppliers, through the Schedules contracts. Improvements in the Schedules program offer customers simplified ordering, access to new products and services, and guaranteed acceptance of the government purchase card for orders under \$2,500. Customers can use the Schedules E-library to research products and services covered by the Schedules contracts.

The GSA Schedules also help agencies meet government socioeconomic and

environmental goals. Customers now get credit for small business purchases made through the Schedules. About 77% of FSS contracts were held by small businesses in FY 2000, a level of small-business support that has remained constant for several years.

GSA expanded its new service contract offerings in FY 2000 to include Schedules for debt collection and financial-related legal services, recovery auditing services, move management services, and comprehensive logistics solutions and supply/value chain management. In addition, we added the following services to the new Schedules program this year:

- Energy management and planning, audit services, energy procurement and use, and services to maximize the energy efficiency of building systems
- Geographic information systems services, including mapping, natural resource planning, migration pattern analysis, site selection and emergency preparedness planning
- Program integration and project management services
- Alternative Dispute Resolution support services that help overcome potential impasses through the negotiation and evaluation of the relative merit of claims
- Mailroom ergonomic analysis services, to be used to increase mailroom efficiency, productivity and safety
- Human resources services including position classification,

pre-employment screening, and recruiting assistance.

### Stock and Special Order Programs

Combined sales for the Stock and Special Order Programs declined from \$1.3 billion in FY 1999 to \$1.2 billion in FY 2000. Stock program sales declined 5.5% from \$781 million in FY 1999 to \$738 million in FY 2000.

The Stock program's decline is largely attributable to government downsizing, which has reduced the demand for the 7,000 stock items. Additionally, SmartPay charge cards have made it easier for Federal purchasing agents to obtain these items directly from commercial sources.

Special Order sales fell by 14% from \$490 million to \$420 million in FY 2000, largely because some Special Order products were shifted to the Schedules Program.

### Electronic Shopping

In FY 2000, GSA *Advantage!*<sup>™</sup> offered online access to 1.2 million of the 4 million Federal Supply products and services. Our goal is to provide access to 95% of FSS contracts via GSA *Advantage!*<sup>™</sup> by the end of FY 2001.

Local GSA Customer Service Directors (CSDs) help customers with electronic shopping. Each CSD is identified on *GSA.gov* and associated with specific customers and a specific geographic territory. Our CSDs are our "knowledge brokers," linked to all FSS business lines and to the GSA

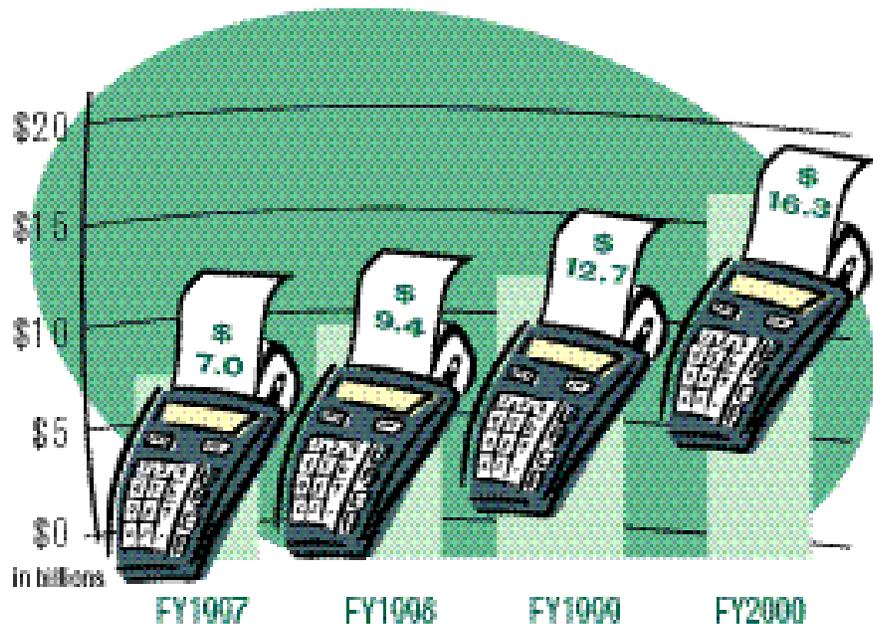
Schedules e-Library, where customers can find sources for the items they want, and to GSA *Advantage!*<sup>™</sup>, where they can make purchases online.

### Charge Card Program

In FY 2000, the GSA SmartPay charge card program offered Federal

\$12.3 billion in FY 2000, almost a 20% increase over 1999. Over 670,000 Federal employees held cards. Use of the cards saved the Government more than \$1.3 billion in administrative costs and generated \$65 million in refunds. Merchants now offer point-

## SUPPLY AND PROCUREMENT BUSINESS VOLUME



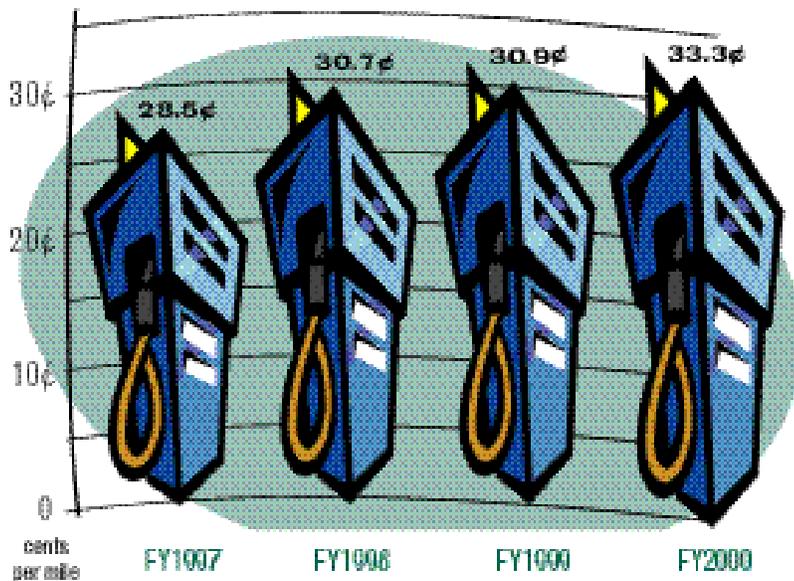
agencies their choice among five companies for purchase and fleet cards and among four companies for travel card services. Agencies have the option of using a single, integrated card for travel, purchase, and fleet needs or using separate cards for each. The cards also function as ATM/debit cards and stored-value cards; they can also handle account maintenance and financial processes. Federal employees used purchase cards provided under FSS contracts for more than 23 million transactions worth

of-sale discounts for users of Federal SmartPay cards.

## VEHICLE ACQUISITION AND LEASING SERVICES

In FY 2000, GSA bought approximately 55,000 vehicles, worth over \$1.1 billion, at average prices of 13% to 18% below dealer-invoice prices. The most commonly purchased vehicles — compact sedans — were priced 27% below the commercial Black Book, exceeding GSA's goal by 7%.

## FLEET OPERATING COSTS



Of all vehicles bought in FY 2000, more than 38,000 were acquired for the GSA Interagency Fleet, which leases them in turn to 75 federal agencies. The Fleet continued to expand in FY 2000 by consolidating nearly 5,900 vehicles from other agencies, resulting in a 177,000-vehicle fleet and cost-avoidance for taxpayers of nearly \$4 million.

In FY 2000 the cost-per-mile for the GSA Fleet was 33.3 cents for 2000, up 7.8% from 30.9 cents in FY 1999, because of a dramatic rise in petroleum costs, yet still below the annual inflation rate.

Also in FY 2000, GSA markedly improved controls over its Fleet Services Card, with the help of the card issuer, Citibank, and the GSA Inspector General.

GSA Maintenance Control Centers provide access to maintenance and repair services and professional maintenance management for fleet customers nationwide through a single call-management system. Along the same lines, GSA established a national Accident Management Center in FY 2000, which GSA Fleet customers can call toll-free in the event of an accident. Specialists at the center assist customers and vendors in all aspects of accident-reporting and vehicle repairs.

To help agencies comply with the Energy Policy Act, GSA made its largest purchase ever of alternative-fuel vehicles (AFVs) in FY 2000, including vehicles that run on ethanol, compressed natural gas, and electricity. GSA purchased approximately 8,400 AFVs, including sedans, vans, pickup trucks and buses. Over 7,000, or 83%,

of these were for the GSA fleet, which now carries over 17,000 AFVs. Next year, GSA will make up to \$4 million in matching funds available to Federal agencies in six cities to cover the cost difference between AFVs and traditional gasoline-powered vehicles.

GSA also provides specialty vehicles for numerous agencies. In FY 2000, an 80-passenger, troop transport, semi-trailer was designed for the U.S. Army Training Command, and a 48-foot double expandable "clinical research trailer" was designed for the Centers for Disease Control and Prevention.

Federal vehicle purchasers now can do a lot of their business online. They can select a vehicle type, choose options, price a vehicle, and compare models from Daimler Chrysler, Ford and General Motors. They can consult the *Federal Vehicle Standards* and check on the status of their vehicle orders. Among several new electronic initiatives this year, the GSA Fleet introduced enhancements to Fleet Drive-Through, an online tool for customers to manage their assigned fleet. GSA customers can now make their monthly mileage reports for assigned vehicles online and access inventory information. They can also obtain data reports on their vehicles.

## TRAVEL AND TRANSPORTATION

In recent years, Federal travel and transportation budgets have totaled approximately \$20 billion each year. By leveraging this large market, GSA

has successfully negotiated favorable rates from the major airlines and provides agencies with significant savings in travel expenses.

### City-Pairs Program

The Contract Airline City-Pairs Program provides Federal travelers with discounts 70% below published unrestricted coach fares, with no advanced booking requirements or penalties for changes. Business volume for city-pairs contracts totaled \$1 billion in FY 2000, about the same level as in the previous year. With discounts provided by 14 airlines, the government saved \$2 billion altogether. The FY 2000 contracts covered 4,337 domestic and 653 international routes, with nonstop service in 95% of the markets where nonstop service is offered and available.

### Travel Management Centers

GSA Travel Management Centers reduce Federal administrative costs by shifting the burden of arranging travel from in-house staffs to commercial travel agents. They ensure that Federal travelers take advantage of GSA's airline city-pairs contracts and other cost-saving programs. They also provide a mechanism for centrally billing and reconciling airline charges. Traditionally, travel agents have provided these services at no cost to the Government, relying instead on revenues from airline commissions. The airlines have changed their commission policies and during FY 2000, the Government began

paying for travel agency services. In November 1999, GSA awarded new fee-based contracts to 49 firms to provide travel agency services to Federal agencies across the nation.

### Freight and Household Goods Relocation

GSA consolidates civilian agency requirements for shipping freight and the household goods of relocating Federal employees, and negotiates discounted transportation rates and services from carriers. Our efforts resulted in Federal rates that were 46% (freight) and 52% (household goods) below commercial rates for comparable services in FY 2000. Federal agencies using these programs saved about \$145 million during the year.

GSA regional employees on the West Coast negotiated an agreement that allows shippers to send their Alaska-bound cargo to a consolidation point in Washington State. There, it's sorted, repacked, and forwarded under volume-discount rates, producing an average savings of 53% compared to commercial rates. This year, the discount increased an additional 9% over previous years.

In the future, the GSA's nationwide rate and routing system will include automated applications such as government bills of lading (or similar forms), booking, tracking, and billing of shipments, mileage computation, and pre-audits of carrier invoices.

### Small Package Express Shipments

Federal agencies saved nearly \$108 million on express delivery services through GSA's small-package contract with Federal Express. Federal shippers sent more than 18.3 million parcels at rates 46% less than the comparable corporate rate. Small package business volume totaled over \$132 million, about 6% more than the \$126 million spent to send 17.2 million packages in FY 1999. This contract has two types of service—overnight delivery by 10:30 a.m. and second-day delivery by 4:30 p.m.—and holds an automatic, money-back guarantee if delivery is even one minute late.

GSA has also negotiated discount rates for delivery services outside the scope of the Federal Express contract, *e.g.*, next-day or second-day aggregate shipments over 150 pounds. Federal agencies using these agreements saved \$19.2 million in FY 2000.

### Transportation Audits

GSA audits Federal freight and transportation vouchers to recover or avoid excess charges. In FY 2000, pre-payment audits reduced transportation costs by \$4 million, and post-payment audits recovered nearly \$20 million (gross) in overpayments. The prepayment reduction met the FY 2000 savings target, while the total post-payment recovery exceeded the target by \$4.7 million.

## PERSONAL PROPERTY MANAGEMENT

GSA arranges for the redistribution of excess personal property among Federal agencies, the donation of excess property to eligible State and local governments and public nonprofit

value of surplus personal property sold to the public was \$296 million in FY 2000, up from \$254 million the previous year.

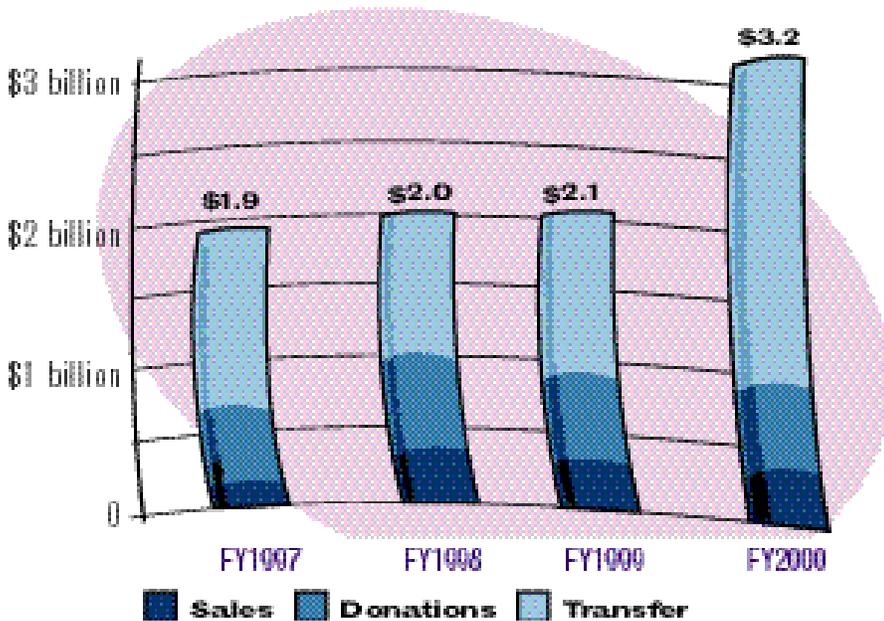
GSA oversees the donation of personal property, most notably computers, to approximately 70,000 tax-supported

Outfitted with new instruments, the concert band played its way to first prize in a local competition.

In FY 2000, GSA helped NASA dispose of thousands of items worth \$29 million among Federal and State buyers. This included moving four SR-71 Blackbird spy aircraft from the Air Force to NASA's Dryden Flight Research Center in Edwards, CA. Another SR-71 was donated to the Smithsonian Institution upon retirement. In its farewell flight, the Blackbird, which had held the world speed record since 1965, flew from Los Angeles to Washington, DC in 68 minutes, and set another world speed record.

Information about sales of surplus property to the public can be found on the GSA Web site at [www.gsa.gov](http://www.gsa.gov).

## VALUE OF PERSONAL PROPERTY RE-USED/SOLD



groups, and the sale of surplus property to the public. In FY 2000, GSA met its goal by helping avoid new expenditures totaling \$3.2 billion through the use and donation of excess personal property. The Government saved \$2.6 billion of this through redistribution of personal property among Federal agencies. Donations to State and local governments and other qualifying institutions saved \$564 million, \$16 million less than FY 1999. The

organizations, including schools, day care centers, hospitals, homeless shelters, senior citizen organizations and programs, vocational training facilities, fire and police departments, and drug treatment and rehabilitation programs. In one case, Cabrillo High School in Lompoc, CA, paid GSA only \$1,300, through the California State Agency for Surplus Property, for six cornets, six trumpets, soprano and alto saxophones, baritone horns, gongs and chimes worth \$25,000.

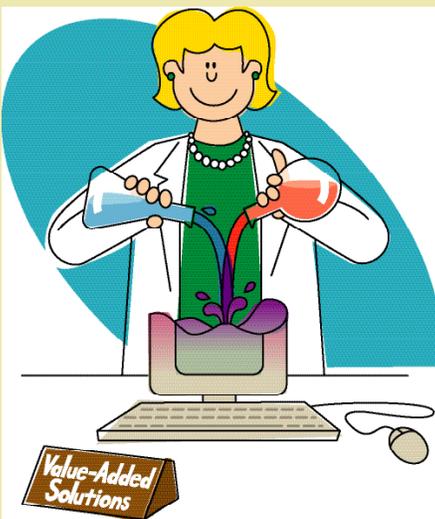
Sandra N. Bates  
Commissioner

Employees: 1,515

Resources:  
Information Technology Fund Revenue: \$5.0 billion  
Other Funding: \$41 million (Direct Appropriations and Reimbursable)

The GSA Federal Technology Service (FTS) provides tailored solutions and world class services to support our customers' missions worldwide. FTS provides local and long-distance telecommunications services, information technology (IT) solutions, and information security services to Federal agencies and other authorized entities, such as the Native American Tribal Nations, on a fee-for-service basis.

As a customer-centric organization, FTS delivers superior customer service by fully understanding customers' requirements and helping them find better solutions. Customer Action Teams focus on supporting our customers' missions. At the same time, FTS provides advanced training for employees and a number of other employee-centric initiatives, to continue to ensure customer satisfaction within efficient and effective business operations.



## FTS PERFORMANCE IN FY 2000

FTS operations are financed on a reimbursable basis through the

Information Technology Fund. Less than 1% of FTS activities—only \$41 million in FY 2000—are funded by congressional appropriations. FY 2000 revenue was \$5 billion, an increase of more than 20% over FY 1999.

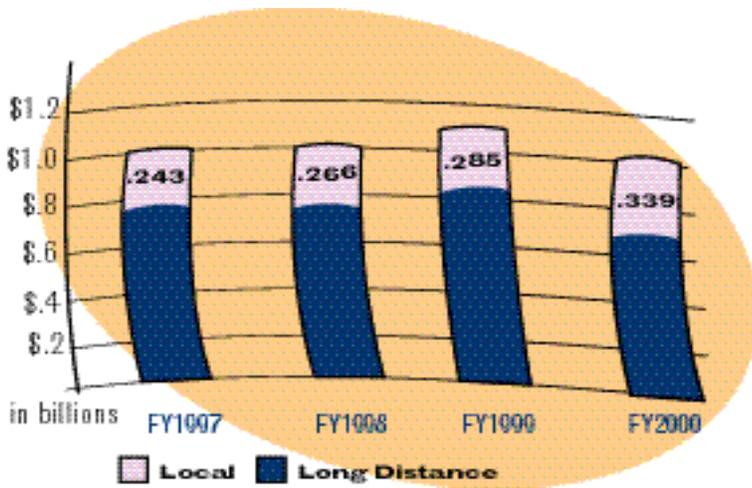
The FTS share of the Federal IT/telecommunications market has increased dramatically since 1995. In just the past five years, it grew from 13.7% to 14.2%, with a business volume increase of more than \$834 million. FTS set an FY 2000 goal of 15.8% of the Federal IT market; however, the size of the market exceeded originally forecast levels.

The overall percentage of customers indicating satisfaction with FTS representatives, programs, products and services on annual surveys exceeded 76%. While slightly lower than the overall FY 2000 goal of 80%, the results do indicate that three-fourths of the customers responding expressed satisfaction.

FTS met or exceeded its other key FY 2000 targets for the following performance goals:

- Excess revenue as a percent of total expenses equaled 0.25%, excluding unfunded expenses and reserve use. The FTS long-term goal is to achieve revenues equal to its expenses, so

## NETWORK SERVICES BUSINESS VOLUME



that it does not have either excess or insufficient revenues.

- Small business volume equaled 35.8% percent of prime contracts, well over the 25% goal.
- Average monthly local line rates were reduced by 4.7%.
- Long distance prices were 25.7% lower than comparable commercial offerings.

## FTS BUSINESS LINES

GSA's two technology business lines are Network Services and IT Solutions. There is substantial coordination and interaction between the two business lines because of the growing relationship between telecommunications and integrated IT solutions.

## NETWORK SERVICES

GSA provides end-to-end telecommunications services,

supporting local and long-distance Federal users. In FY 2000, GSA also undertook broad responsibilities to ensure a smooth Y2K transition in Federal telecommunications systems. From its command post in Fairfax, VA, FTS installed an FTS Iridium backup, and successfully completed GSA-wide and industry-wide exercises. Secured by GSA's well-tested plans and procedures, Federal telecommunications systems were brought into the new millennium essentially without incident.

Network Services revenues for FY 2000 totaled \$1 billion, 9% less than the FY 1999 total of \$1.1 billion, a decline that is due mainly to the aggressive pricing competition by local and long distance carriers.

### FTS2000 and 2001 Long-distance Telecommunications Service

For most of the 1990s, GSA provided long-distance service through its groundbreaking FTS2000 contracts

with AT&T and Sprint. These contracts provided the lowest long-distance rates ever. When they expired in FY 1999, GSA awarded the next generation of long-distance contracts, FTS2001, to Sprint and MCI WorldCom. The FTS2001 contracts retains key features of FTS2000 and provide Federal agencies with low-cost, state-of-the-art, integrated voice, data, and video telecommunications. With implementation of FTS2001, GSA-provided long-distance service will be non-mandatory for Federal agencies for the first time.

The cost of Federal long-distance services declined from an average 27 cents per minute in FY 1988 to 5 cents per minute under FTS2000. Under FTS2001, average prices were 3.5 cents per minute for FY 2000, and are expected to drop to less than 1 cent per minute by the end of the contract period.

In FY 2000, GSA completed the transition of 89 customer agencies from FTS2000 to the FTS2001 contracts. This involved complex logistics, emergency procedures, planning, testing and project management support.

### Local Telecommunications Services

GSA provides local voice and data telecommunications services to Federal agencies nationwide. Switched services are provided through more than 400 local telecommunications systems, which offer all the features of the most modern systems.

The local telecommunications programs generated \$339 million in revenue in

FY 2000, an increase of 19% over FY 1999. The average monthly line rate dropped nearly 5% to \$18.81 in FY 2000, down from \$19.74 in FY 1999. This continued a six-year downward trend.

GSA also achieved significant cost savings in FY 2000 through two new local telecommunications programs, Metropolitan Area Acquisition (MAA) and the Washington Interagency Telecommunications System (WITS).

■ **Metropolitan Area Acquisition Contracts.**

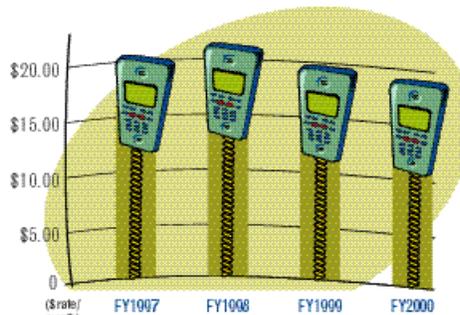
The MAA program delivers immediate and substantial price reductions in local telephone markets by taking advantage of increased competition as permitted by the Telecommunications Act of 1996. As a result, monthly telephone costs for Federal agencies will soon see cost savings in cities across the country as the MAA program expands beyond the initial three cities, New York, Chicago and San Francisco. In FY 2000, more than 30 contracts were awarded to eight industry partners. These contracts could save the Federal Government over \$740 million.

■ **Washington Interagency Telecommunications System**

WITS provides up-to-date and cost-effective communications services to all Federal agencies and other authorized users in the Washington, DC, metropolitan area. In FY 2000, WITS provided switched voice and data services to more than 183,030

Federal users. The new WITS2001 contract extends WITS offerings to include Internet and Intranet access and offers users flexible billing options and direct access to the contractor. Data services such as circuit switched data, dedicated transmission, asynchronous transfer mode, frame relay, and switched multi-megabit data will also be available. The 8-year, \$1.4 billion WITS2001 contract to Verizon

LOCAL TELECOMMUNICATIONS AVERAGE MONTHLY LINE RATE



Communications, stipulates that GSA will receive the lowest available prices, which will save customers an estimated \$300 million. WITS2001 serves 30% of the Federal agencies in the Washington, DC area. This customer base is expected to double within the next year. Current GSA customers will experience up to a 30% price reduction.

International/Wire and Cable/Wireless Application ("Niche" Contracts) Services

GSA provided Federal agencies nearly \$123 million in specialized services through the following Niche Contracts in FY 2000:

- Telecommunications Support Contract 2 (TSC2) is a worldwide contract that offers telecommunications planning; analytical support; design and engineering; acquisition support; installation, integration, and implementation; and operations and maintenance support.
- Technical and Management Support Services (TMS) contract provides technical, management, analytical, and financial services.
- International Direct Distance Dialing (ID3) Services contract, administered jointly by GSA and the Department of Defense, offers switched voice services to over 280 countries at prices 35% to 45% below comparable services.
- Wire and Cable Services allows users to economically maintain and upgrade telecommunications cable and wiring systems.
- Satellite Service Contracts offer a wide variety of commercial fixed, broadcast, and mobile satellite services. These contracts were awarded to 10 of the largest commercial satellite contractors using streamlined acquisition procedures. They will allow users to implement the latest technology and services.
- Wireless Telecommunications Services provides nationwide wireless voice and data telecommunications services and equipment, including cellular telephones and pagers.
- Electronic Commerce, Internet, and E-mail Access (CINEMA) program

offers Internet access and other services, including Web hosting, virtual private networks, firewalls, universal messaging, and five different electronic commerce offerings.

- In-flight Telecommunications Services offers discounted in-flight voice, data, and fax services for Federal travelers through GTE Airfone and AT&T Wireless. The discount for Federal travelers averaged between 25% and 30% in FY 2000.

### Federal Relay Service

The Federal Relay Service acts as a telecommunications intermediary for individuals within the Federal sector as well as between hearing individuals and individuals who are deaf, hard of hearing, and/or have speech disabilities, for telecommunications with and within the Federal Government. The service was used for approximately 478,000 minutes in FY 2000.

## IT SOLUTIONS

GSA's IT Solutions business line is a fully cost-reimbursable information technology solutions provider to Federal agencies. GSA offers virtually all types of IT products and services, primarily through contracts with private sector firms that include FTS contracts, Federal Supply Schedules contracts, and contracts negotiated by other agencies.

The IT Solutions business line earned \$4 billion in FY 2000 revenues, an

increase of \$883 million over the FY 1999 level.

In technology as in other areas, GSA is employing the effectiveness of online commerce. Its IT Solutions Shop (ITSS) was established in FY 1999. This Web-based electronic purchase and order tracking system, supports approximately 1,800 customers, vendors, and FTS staff. ITSS fully automates the procurement process, allowing users to place, award and track orders for any IT product or service over the Internet—from any place, at any time. In FY 2000, GSA opened an online Wireless Store in partnership with a leading retailer of telecommunications products and services. This store is a one-stop shop for Government employees to research, compare and acquire wireless products and services. It is also a source of comprehensive information about the latest developments in wireless technologies. It is linked to GSA *Advantage!*<sup>™</sup>, the primary GSA online procurement site. Also in FY 2000, the SmallBizMall was established as the first Federal Web site dedicated to ordering from 8(a) small and disadvantaged IT businesses.

The IT Solutions business line aims to provide all clients, regardless of geographic location, the same products and services or solutions, with the same level of service, at the same price. To achieve this goal, it operates within a concept of operations based on distinct service delivery and solutions development

centers of expertise that are designed to leverage existing skill sets and talents. The goal is achieved through:

- 13 Client Support Centers (CSCs). The centers work directly with clients by providing support, issuing and managing tasks and delivering IT solutions.
- 4 Solutions Development Centers (SDCs). The centers award and administer IT contracts for the CSCs and for other agencies.

### Client Support Centers

CSCs serve IT customers in each of GSA's 11 regions. Two other Centers support clients nationwide. CSC staff interact directly with customers, providing systems definition and design, business and scientific software services, computer security studies and risk analyses, facilities management, and access to all FTS products and services.

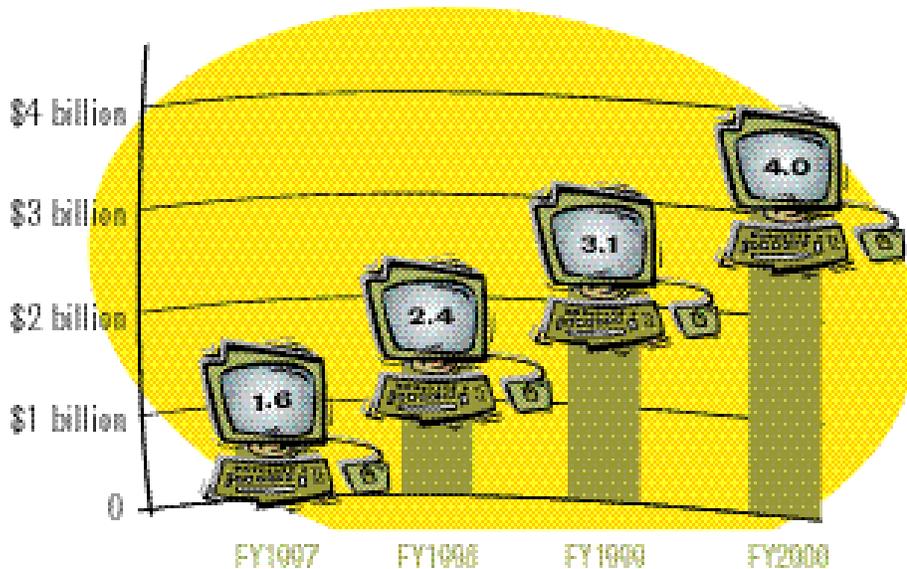
- *Regional IT Solutions*

The 11 regional CSCs operate under the Regional IT Solutions Center. In FY 2000, the Center introduced Buyers.Gov, a Web-based Government business and auction exchange. The center also adapted existing commercial e-commerce software to Federal standards to introduce reverse auctioning and aggregation capabilities to the Government IT community.

- *National CSCs*

The two national CSCs are the Federal Systems Integration and Management Center (FEDSIM) and

## IT SOLUTIONS REVENUE



the Office of Information Security (OIS).

FEDSIM has helped agencies acquire and use information systems and IT hardware, software, maintenance, training, and analyst support for many years, focusing on large, complex systems integration projects. Business volume totaled \$977 million in FY 2000, 14% more than in FY 1999.

Office of Information Security provides worldwide information systems and infrastructure security solutions to Federal agencies, and supports the security needs of U.S. allies in conducting classified, sensitive diplomatic and/or military missions. Revenues were \$97 million in FY 2000, down 17% from \$117 million in FY 1999.

OIS programs include:

- **Access Certificates for Electronic Services (ACES)**

ACES uses digital signature technology to authenticate individuals and businesses wishing to access Government information and services electronically.

- **Presidential Decision Directive 63 (PDD63) Guidance**

PDD63 directed Federal agencies to take a phased approach to protecting their own critical infrastructures. OIS provided executive departments and agencies with guidance in preparing their protection plans.

- **Operation Safeguard**

GSA offers Blanket Purchase Agreements with 27 industry partners to provide a full range of professional infrastructure

assurance services and products to strengthen defenses against both physical and cyber-based attacks.

- **Federal Computer Incident Response Capability (FedCIRC)**

A partnership of computer incident response teams, security and law enforcement professionals, and academic and industry partners, FedCIRC serves as a central response and reporting mechanism to help Federal agencies deal with computer-security incidents.

- **FTS Vulnerability Assessment Services (ENIGMA)**

This program was initiated in FY 2000 as a tool that provides the Federal Government with the means to immediately assess potential cyber vulnerabilities and exposure to attack. It uses the Information Security Assessment Methodology developed by the National Security Agency.

### Solutions Development Centers

GSA's four solutions development centers develop, award, and administer contracts for use by all CSCs. They are:

- **Applications 'n' Support for Widely-diverse End User Requirements (ANSWER) Solutions Development Center**

In only its second year, ANSWER's business volume increased by 300% in FY 2000. Twenty-one agencies placed over 600 task orders worth more than \$300 million under the

ANSWER contracts. These contracts offer a wide range of IT services, including systems analysis, requirements definition, system design, software maintenance, facilities management support services, scientific and engineering applications, network support services, and systems installation and integration. They incorporate many of the provisions of the former FISSP program, taking advantage of economies of scale and GSA's existing strengths and expertise.

■ ***Small Business Solutions Development Center***

The Small Business SDC focuses on providing Federal clients rapid access to goods and services provided by the small business community. There were 166 8(a) contracts in place in FY 2000, through which 1,446 task orders totaling \$224 million were awarded.

■ ***Federal Computer Acquisition Center***

The Federal Computer Acquisition Center (FEDCAC) delivers full-service management of computer acquisitions worth more than \$100 million and conducts full and open competitions for contracts required by FTS customer support centers nationwide.

■ ***Information Technology Acquisition Center***

This solutions development center, established in FY 2000, provides customized acquisition support for all IT needs. Millennia Lite is its

premier contract, providing the full spectrum of IT support services worldwide through multiple-award contracts.

The solutions development centers have awarded the following major contracts since their establishment two years ago:

- Millennia is a 10-year, \$25 billion contract supporting very large systems integration projects and providing a full suite of IT support services. The contract's innovative use of oral proposals dramatically reduces the time and costs required for individual task order awards.
- Millennia Lite supports small- to mid-level systems integration projects in four functional areas: IT planning, studies and assessment; high-end IT services; mission support services; and legacy systems migration and new enterprise systems development. Within three months after this contract was in place, 40 task orders were awarded, for an estimated value of almost \$16 million.
- Innovative Business Center develops and deploys new service areas that incorporate the most current technologies and approaches to solving Federal IT problems.

Financial Management Systems Support Center helps Federal agencies evaluate, design, and implement financial and administrative systems.

Federal Learning Technology Center (FedLearn) provides IT-based solutions for traditional training issues encountered by Federal agency clients worldwide. FedLearn assists agencies with any or all of the life cycle support necessary to acquire, design, develop, implement, and manage these learning tools.

Seat Management contracts awarded to eight companies provide Federal agencies with complete desktop computer support as a non-owned service that encompasses the hardware, software, connectivity, management, operation, and maintenance of the desktop environment and its associated network infrastructure.

Smart cards offer an unsurpassed mobile computing platform for identification, authentication and administrative functions. GSA's Government-wide Common Access Identification Smart Card Contract for use by Federal agencies prescribes interoperability standards for smart cards, including specifications for making any vendor's smart card readable with any other vendor's reader.

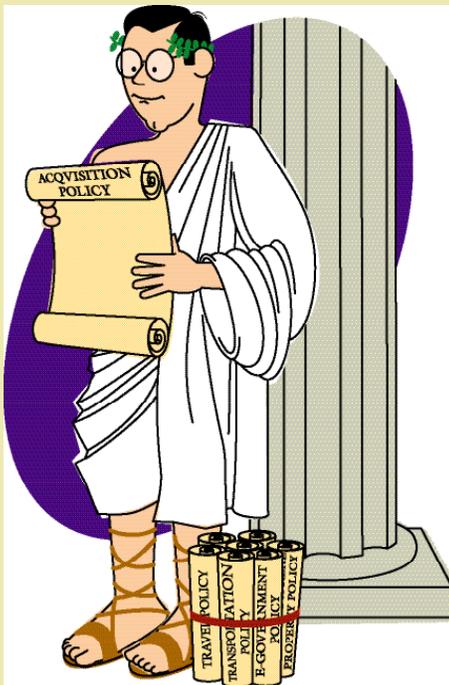
G. Martin Wagner  
Associate Administrator

Employees: 284

Resources:  
\$54 million (Direct Appropriations and Reimbursable)

The GSA Office of Governmentwide Policy (OGP) was created in December 1995 to separate GSA's policy-making from its service delivery and operations. All policy-making functions assigned to GSA were combined under OGP's broad mandate to build and maintain a policy infrastructure for the Federal Government. OGP became the focal point for intergovernmental collaboration, shared systems, acquisition systems and support, professional development, information technology policy, and regulatory information.

GSA's policy-making authority encompasses or supports the following areas: acquisition, advisory committees, aircraft, contract management information, electronic commerce, information technology, intergovernmental management, mail, motor vehicles, personal property, real property and the workplace, regulatory information, training for acquisition professionals, transportation, and travel.



## OGP PERFORMANCE

OGP's performance goals center on GSA's roles in building and maintaining a policy infrastructure, identifying best practices and providing education and training. In FY 2000, OGP met or exceeded most of its key goals. It achieved its targets for the following performance goals:

- Organizing, collaborating with, and leading interagency committees in all its policy areas.
- Identifying and publishing leading practices for those areas within GSA's purview. Developing and promoting performance measurement systems for Governmentwide use.
- Improving accessibility to shared databases and information on best practices and policies for government, industry and the public's use.
- Establishing policies, standards and best practices to help develop a single face for Government electronic business transactions.
- Assisting Federal agencies where the products, services, and infrastructure have not been implemented to meet the needs of persons with disabilities for a barrier-free information technology environment.

- Establishing and maintaining a core curriculum of Internet-based courses and increasing the training provided by GSA.
- Improving the professional skills of present and future Federal IT leaders.
- Providing online access for contractors wanting to do business with the Federal Government.

## INTERGOVERNMENTAL COLLABORATION

GSA collaborates with other Federal agencies, State and local governments, private industry, and other entities to develop Governmentwide Federal policies and guidelines. Working with over 70 interagency groups, it coordinates the identification, development, and dissemination of policies and guidelines, education and training opportunities, and best practices in GSA's areas of expertise.

## FEDERAL ACQUISITION POLICY

GSA is one of three agencies that issue and revise the Federal Acquisition Regulation (FAR), which implements Federal procurement legislation, and GSA chairs one of two councils that produce changes to the FAR. We helped form 28 interagency committees of technical experts in all areas of procurement to advise on FAR changes.

## ELECTRONIC GOVERNMENT

GSA spearheads Federal e-Government initiatives, finding ways to exploit

technology to enhance access to and delivery of information and services to citizens, business partners, employees, agencies and other Government entities. Government use of Internet-based services for electronic purchasing and information sharing is becoming more sophisticated, but online citizen transactions are still in the early stages. GSA promotes citizen-centered electronic services—simplified, standardized access to online Government information and services.

GSA provides continuity and focus for (1) developing new policies to promote the effective use of electronic Government; (2) developing and implementing electronic services for citizens; (3) implementing electronic benefits transfer; (4) expanding Government card services; and (5) designing, prototyping and evaluating electronic Government technologies to meet citizen needs.

GSA coordinates electronic commerce initiatives across Government, including:

- **Authentication for Online Transactions**

People accessing Government services electronically will need to be able to identify themselves in a way that leaves no room for mistakes or fraud. In FY 2000, GSA led a Governmentwide effort to issue 100,000 digital signature certificates by December 2000. These certificates are provided under GSA's ACES contracts.

- **Establishing the Next Generation of Technical Standards**

GSA and the National Institute of Standards and Technology are collaborating on a methodology to test the interoperability of technology products based on supply-chain e-commerce standards. Those standards were developed by RosettaNet, an independent consortium formed to reach industry consensus on electronic commerce standards. Their use helps companies improve the quality of information exchange between buyers and sellers.

- **Smart Cards**

GSA has worked with agencies and commercial firms to reach agreement on common requirements for smart cards in the Federal Government, producing a handbook for Federal agencies and others. These cards, which look like credit cards, contain computer chips capable of holding a wide variety of information, including digital signatures and bio-metric data, such as fingerprints. Their uses include identification and authentication, building and computer access, and storage of medical and dental data. Smart cards can also serve as both credit and debit cards.

- **Efficient Government Buying**

GSA completed the second phase of an Electronic Catalog Interoperability Pilot enabling Federal buyers to search Government and commercial

online catalogs simultaneously, compare products, and make purchases using smart cards. The pilot tested a secure, interoperable, multi-catalog architecture, and demonstrated an end-to-end e-commerce business process.

#### ■ **Sponsoring Electronic Grants Initiatives**

In FY 2000, the President signed legislation requiring agencies to create a common system for electronic grants processing by State, local, and Tribal Governments and nonprofit organizations. GSA sponsors the Interagency Electronic Grants Committee in its work to automate the grants process through the Federal Commons initiative, a one-stop site for submitting grant applications to agencies across the Government.

#### ■ **Electronic Benefits Transfer (EBT)**

The U.S. Government provides over \$500 billion annually in benefits to its citizens. GSA is working with Federal and State benefit-providing agencies and private companies to develop a standard nationwide EBT system, including a single card for accessing cash and food benefits at automated teller machines and point-of-sale locations.

#### ■ **The FirstGov Web Site**

At the request of the President, GSA designed, built and launched the *FirstGov.gov* Web site, which serves as the portal to all Federal Web-

based information and services. The larger mission of the initiative is to "connect the public to all Government information and services." This includes addressing issues related to policy, technology, information, marketing and management. Alliances with State and local governments, cross-agency organizations and private sector firms will accelerate efforts to improve online search capabilities, geographic information service applications, natural language processing, information categorization and user-feedback.

## REAL PROPERTY

Committed to improving the management of Federal real estate while protecting Federal resources and taxpayers' interests, GSA promotes collaborative and innovative policies, products, and services related to real property, the 21st century workplace, and entrepreneurial Government services. Projects in FY 2000 included:

- **Integrated Workplace.** GSA promotes a comprehensive approach to providing leading-edge workplaces for the Federal Government by integrating business plans, user needs, and space planning. We develop and disseminate innovative tools and models for use in workplace evaluation, including our publication, *The Integrated Workplace: A*

#### *Comprehensive Approach to Developing Workspace.*

- **Identifying Real Property Trends.** This project includes researching, analyzing and gathering information on the evolution of office buildings and workspace. It helps Federal managers make better decisions by identifying the trends that affect how real property will be designed, constructed, managed and staffed in the future.
- **Governmentwide Real Property Information Sharing (GRPIS) Program.** GRPIS encourages interagency sharing of community-based real property information, through local councils, to support better asset management decisions.
- **Leading Practices.** GSA shares leading practices in real estate asset management through its annual Achievement Award for Real Property Innovation, its *Real Property PolicySite* newsletter, forums and agency visits, and its clearinghouse.
- **Sustainable Development.** GSA continues to build on its *Real Property Sustainable Development Guide*.
- **Telework.** GSA develops policy, outreach, and collaborative partnerships to advance teleworking, an important management strategy for increasing the effectiveness of the Federal workforce.

■ **Federal Real Estate on the Internet.**

In FY 2000, GSA undertook a study of the emerging use of the Internet in Federal real estate applications.

### Federal Travel

GSA develops policies for Federal travel—which costs the Government approximately \$9 billion a year—and determines Federal travelers' per diem reimbursement rates. In FY 2000, GSA established a Premier Lodging Program, which leverages the Government's spending in the travel marketplace to provide guaranteed rooms at the per diem rate for Federal employees.

### Personal Property

GSA develops policies and guidance on the reuse and disposal of Federal personal property. It took over responsibility for the Computers for Learning Web site from the Department of Energy in FY 2000, and redesigned it to make it more user-friendly.

### Motor Vehicles

In FY 2000, GSA rewrote Governmentwide regulations affecting the management and operation of approximately 575,000 motor vehicles throughout the world. Written in "plain English," the rewritten regulations became the first program chapter in the new Federal Management Regulation. GSA also encourages agencies to share their solutions to motor vehicle program problems.

### Aircraft

In collaboration with the 18-agency member Interagency Committee for Aviation Policy, GSA signed an unprecedented Safety Standards Agreement with the Federal agencies that own or hire aircraft. In addition, GSA deployed the new Federal Aviation Interactive Reporting System (FAIRS). Through this user-friendly, Internet-accessible system, agencies report and analyze information on Governmentwide aircraft inventories, costs, and usage. About 150 FAIRS users have been trained.

### Transportation

GSA develops policy for the Government's use of commercial transportation resources and fosters collaboration between Government and the private sector. The Governmentwide Transportation Management Policy Council was revived in FY 2000, to function as a forum for collaboration in identifying and implementing many of the industry's leading practices. GSA rewrote the regulations governing transportation in "plain English" format, incorporating the use of commercial-type tools, such as commercial bills of lading and credit cards.

### Mail

GSA develops policy for mail-related issues and directives that directly affect Federal employees, Federal agencies and the private sector. In FY 2000, it chartered an Interagency

Mail Policy Council, with approximately 170 members representing over 38 agencies. GSA also developed a Mail Resource Guide for Federal employees.

### Public Participation through Advisory Committees

GSA's Committee Management Secretariat provides management, administration, and reporting assistance to Federal advisory committees, which are valuable participants in the Federal decision-making process. In FY 2000, the Secretariat expanded its Internet site to permit agencies to perform all statutorily required functions online.

### InterGovernmental Solutions

As chair of the U.S. Intergovernmental Advisory Board, GSA has taken the lead in promoting an international conversation on the use of IT to make governments work better. Through newsletters and special reports, GSA disseminates information on trends, perspectives, and innovations so that what works in one place might be adapted to another. GSA also produces one-page Federal/State Issue Alerts on such "hot topics" as Internet taxation, privacy, and digital signatures.

GSA compiles several directories important in Government IT circles, including *Who's Who in Government IT*, *The E-Government Inventory*, and *Electronic Access to Government Information*.

## SHARED SYSTEMS

GSA develops and maintains computer systems and databases that are used Governmentwide, including the following:

### Electronic Inventory Management Systems

GSA has two information systems to help Federal real estate professionals manage their assets more efficiently. FIRM (Foundation Information for Real Property Management) is a database for real property management. The WorldWide Inventory of Federal Real Estate was revamped in FY 2000 to be searchable on the Web. GSA continued to add major users of FIRM last year, most notably the Social Security Administration. Seventy-one percent of its potential users are now on board.

### Federal Domestic Assistance Catalog

GSA compiles Governmentwide information on over 1,400 Federal assistance programs from 60 Federal agencies, departments and other establishments in the annual *Catalog of Federal Domestic Assistance* and its semi-annual update.

### Federal Procurement Data Center

GSA operates the Federal Procurement Data Center, which assembled information on more than 30 million actions on Federal contracts and credit card transactions in FY 2000.

### Acquisition Reform Network (ARNet)

This is GSA's hub for Internet-based acquisition tools and information. It is the entry to the Federal Acquisition Regulation, *Fedbizopps*, and the *List of Parties Excluded from Federal Procurement and Nonprocurement Programs*.

### List of Parties Excluded from Federal Procurement and Nonprocurement Programs

GSA compiles and maintains this list of approximately 25,000 individuals and businesses excluded from Federal procurement and nonprocurement programs Governmentwide.

### Asset Disposition Management System

This system, deployed in FY 2000, contains historical data on the life cycle for personal property from the time it is declared excess until it is taken off the Federal inventory. The data will be used to evaluate how property is managed after it is deemed excess and to develop policies and processes to make the property disposal process more effective.

## ACQUISITION SYSTEMS AND SUPPORT

GSA is one of three agencies required by law to issue and maintain the Federal Acquisition Regulation (FAR), which is the regulatory framework for Governmentwide procurements totaling approximately \$200 billion per year. In FY 2000, GSA:

- Developed new acquisition policies through collaboration with other agencies and the public, issuing 49 amendments to streamline and clarify existing processes, and implement statutory changes.
- Replaced hard-copy distribution of FAR case materials with an online site.
- Managed the rewrite of the Federal Property Management Regulation to eliminate non-regulatory guidance, standards, specifications, and outdated content.
- Awarded a contract for an Electronic Document Management System to provide electronic publication and document management capabilities for promulgating the FAR.

## PROFESSIONAL DEVELOPMENT

To ensure a highly trained Government IT workforce, GSA identifies, develops, and makes available professional development opportunities for Federal employees.

### Strategic and Tactical Advocates for Results (STAR)

This new senior IT training program requires students to meet specific mission objectives and outcomes approved by their agency. It provides training through nationally acclaimed institutions, including top-performing universities.

### Federal Acquisition Institute (FAI)

The FAI establishes and promotes career management programs for the acquisition workforce. FAI offers

distance learning opportunities, sponsors research to promote best procurement practices and performs skills analyses of the acquisition workforce. In addition, it is working with academic and professional organizations to establish a body of knowledge as a basis for essential Internet-based education and performance support for public and private sector acquisition professionals.

### Chief Information Officers (CIO) University

The CIO University is a consortium of universities which offers graduate-level courses in the executive core competencies essential for a successful CIO organization.

### 1,000 by the Year 2000

The 1,000 by 2000 Program is a graduate-level certificate program that helps Federal IT professionals prepare for more responsible positions through the course offerings of 29 colleges and universities. To date, 1,048 students have registered, 788 have graduated, and 216 have attained a Masters degree.

### Trail Boss Roundup and Network

The Trail Boss Program offers a cadre of IT management professionals seminars focusing on core acquisition and management issues involving IT investments. Over the last decade, more than 1,200 IT professionals from 54 Federal agencies have graduated from the program.

### Interagency Resources Management Conference (IRMCO)

IRMCO is the Government's annual private conference focused on innovation, best practices, and communities of interest directly related to e-Government and cross-agency initiatives. Attended by almost 500 IT leaders, IRMCO 2000 featured more than 80 speakers from the top echelons of Federal, State and international Governments, industry and academia.

## INFORMATION TECHNOLOGY

GSA provides executive and interagency IT support, including critical policy-level support to the Federal CIO Council, through acquisition pilot projects, training, planning, outreach, and IT tools to support agencies' missions.

### Support for IT Management

During FY 2000, GSA expanded its planning and operations management support to three key interagency management groups created in response to the Clinger-Cohen Act: the Federal CIO Council, the Procurement Executives Council, and the Information Technology Resources Board. It also established the IT Leaders initiative for CIOs, which fosters collaboration and communication among smaller-agency CIOs on IT challenges and issues.

### Federal Webmaster Forum

GSA hosted the interagency Federal Webmaster Forum to address Internet issues and provide opportunities for

networking and sharing best practices, and provides training for over 600 Federal Webmasters nationwide.

### Y2K Support

GSA supported many Government activities to address the Y2K challenge, including a Y2K Web site for the President's Council on the Year 2000 Conversion and the Federal Government's Gateway for Year 2000 Information Directories. These sites covered the range of worldwide Y2K-related issues, including business continuity and contingency planning.

## REGULATORY INFORMATION

GSA's Regulatory Information Service Center compiles and disseminates information about Federal regulatory activity. Its principal publication is the *Unified Agenda of Federal Regulatory and Deregulatory Actions*, a unique, comprehensive source of information about regulatory actions that Federal agencies are considering. It includes *The Regulatory Plan*, which discusses agencies' regulatory priorities and provides descriptions of their significant rulings.

GSA also maintains a comprehensive Internet site on regulatory information, [www.reginfo.gov](http://www.reginfo.gov) that provides links to sources of information on Federal, State, and local regulations. These include databases and search tools for legislation and regulations, Federal agency home pages, and information about pending and recently completed OMB regulations.

# GSA Financial Statements



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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February 14, 2001

MEMORANDUM FOR THURMAN M. DAVIS, SR.  
ACTING ADMINISTRATOR (A)

WILLIAM B. EARLY, JR.  
CHIEF FINANCIAL OFFICER (B)

FROM: WILLIAM R. BARTON  
INSPECTOR GENERAL (J)

A handwritten signature in black ink that reads "William R. Barton".

Subject: Audit of the General Services Administration's  
Fiscal Years 2000 and 1999 Financial Statements

This memorandum transmits PricewaterhouseCoopers LLP's (PwC) report on its Fiscal Years 2000 and 1999 financial statement audit of the General Services Administration (GSA), and the Office of Inspector General's (OIG) report on internal controls over performance measures.

#### Results of Independent Audit

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires GSA's Inspector General or an independent external auditor, as determined by the Inspector General, to audit the Agency's financial statements. Under a contract monitored by the OIG, PwC, an independent public accounting firm, performed the audit of GSA's Fiscal Years 2000 and 1999 financial statements. The contract required that the audit be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States, and the Office of Management and Budget's Bulletin No. 01-02, "*Audit Requirements for Federal Financial Statements*."

PwC issued unqualified opinions on GSA's Fiscal Years 2000 and 1999 consolidated and combined financial statements and individual funds' (Federal Buildings Fund, General Supply Fund, and Information Technology Fund) financial statements. However, PwC did identify three reportable conditions concerning GSA's need to (1) improve GSA entity-wide system security management and oversight, (2) improve GSA system development and implementation efforts, and (3) improve the controls over the integrity of rent data. PwC also reported a potential instance of noncompliance with a law arising from an advance between two GSA funds, the Federal Buildings Fund (FBF) and the Information Technology Fund (ITF). During the Fiscal Year 1998 audit, PwC requested the Counsel to the Inspector General to review this advance of funds. The OIG issued a legal opinion stating that GSA violated the "Purpose Statute" (31 U.S.C. § 1301) when the FBF advanced funds to the ITF, and these funds were "not properly used to carry out PBS [Federal Buildings Fund] activities." GSA's Office of General Counsel disagreed with the OIG opinion. This matter was reported in PwC's Fiscal Year 1998 financial statement audit and again in its Fiscal Year 1999 audit. Although GSA changed its practice by liquidating the advance quarterly instead of annually, this did not resolve this issue during Fiscal Year 2000. However, in October 2000, the Office of the Chief Financial Officer established procedures to liquidate this advance monthly, designed to more closely associate the funds with the services provided. This new approach should address the concerns our office has concerning this matter.

## OIG Evaluation of PwC's Audit Performance

To ensure the quality of the audit work performed, we conducted a review of PwC's audit of GSA's Fiscal Years 2000 and 1999 financial statements. Specifically, we:

- Reviewed PwC's approach and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Examined working papers related to assessing internal controls over GSA's financial reporting process and GSA's EDP systems;
- Reviewed PwC's audit report;
- Coordinated issuance of the audit report; and
- Performed other procedures we deemed necessary.

However, due to the timing for completing the GSA Fiscal Year 2000 Annual Report, we have not completed our review of the working papers prepared by PwC.

PwC is responsible for the attached auditor's report dated December 29, 2000, and the conclusions expressed therein. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and accordingly we do not express, an opinion on GSA's financial statements, management's assertions about the effectiveness of its internal controls over financial reporting or GSA's compliance with certain laws and regulations. However, our review, as qualified above, disclosed no instances where PwC did not comply with generally accepted government auditing standards.

## Report on Internal Controls Over Performance Measures

We did not contract with PwC to perform the audit work relating to internal controls over performance measures. However, in accordance with Office of Management and Budget Bulletin No. 01-02, we performed the necessary audit procedures to obtain an understanding of the design and operation of internal controls over the reliability of data supporting the performance measures reported in the Management Discussion and Analysis section of GSA's Fiscal Year 2000 Annual Report. The results of this audit identified a reportable condition regarding the need to clearly assign responsibility and accountability within GSA for verifying and ensuring the reliability of the data supporting the reported performance measures.

The Office of Inspector General appreciates the courtesies and cooperation extended to PwC and to our audit staff during the audit and review. If you or your staff have any questions, please contact me or Eugene L. Waszily, Assistant Inspector General for Auditing.

## Attachments

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Inspector General of the United States General Services Administration

This report presents our opinions on:

- The fiscal years 2000 and 1999 financial statements of the United States General Services Administration (GSA Consolidated and Combined) and its three primary revolving funds – the Federal Buildings Fund (FBF), the General Supply Fund (GSF), and the Information Technology Fund (ITF).
- Management's assertion that as of September 30, 2000, GSA maintained, in all material respects, effective internal control over financial reporting for the GSA Consolidated and Combined, the FBF, the GSF, and the ITF.

This report also presents results of our tests of GSA's compliance with selected provisions of applicable laws and regulations. This report describes management's responsibilities for financial reporting, the internal control over financial reporting, and compliance with applicable laws and regulations. Finally, the report describes our responsibilities for auditing the financial statements, examining management's assertion regarding the internal control over financial reporting, and reporting on GSA's compliance with applicable laws and regulations.

### Opinion on the Financial Statements

In our opinion, the accompanying balance sheets of the General Services Administration (GSA Consolidated), the Federal Buildings Fund (FBF), the General Supply Fund (GSF), and the Information Technology Fund (ITF) as of September 30, 2000 and 1999, and the related GSA Consolidated and individual fund statements of net cost and changes in net position, and the GSA Combined and individual fund statements of budgetary resources and financing for the fiscal years then ended, present fairly, in all material respects, the:

- financial position of the GSA Consolidated, the FBF, the GSF, and the ITF as of September 30, 2000 and 1999,
- net cost and changes in net position of the GSA Consolidated, the FBF, the GSF, and the ITF for the fiscal years ended September 30, 2000 and 1999, and
- budgetary resources and financing of the GSA Combined, the FBF, the GSF, and the ITF for the fiscal years ended September 30, 2000 and 1999,

in conformity with accounting principles generally accepted in the United States of America.

### Consolidating and Combining Information

Our audits were performed for the purpose of expressing opinions on the GSA Consolidated and Combined, the FBF, the GSF, and the ITF financial statements as of and for the fiscal years ended September 30, 2000 and 1999. The financial statements of Other Funds and the Intra-GSA Eliminations, presented in the consolidating and combining financial statements, are presented for purposes of additional analysis of the GSA Consolidated and Combined financial statements. This consolidating and combining information has been subjected to the auditing procedures applied in our audits of the GSA Consolidated and Combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the fiscal years 2000 and 1999 GSA Consolidated and Combined financial statements taken as a whole.

### Required Supplementary Information

The Management's Discussion and Analysis and the disclosures on deferred maintenance and intra-governmental balances are not required parts of the financial statements but are supplementary information required by the Federal Accounting Standards Advisory

Board and OMB Bulletin No. 97-01, as amended. According to OMB Bulletin No. 97-01, as amended, reporting entities shall reconcile intra-governmental asset, liability, and revenue amounts reported in the required supplementary information with their trading partners at least annually as of the fiscal year end for fiscal years beginning after September 30, 1999. GSA has not performed these reconciliations and has disclosed this in note 1B in the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

### Supplemental Statements

Our audits were performed for the purpose of expressing opinions on the GSA Consolidated and Combined, the FBF, the GSF, and the ITF financial statements as of and for the fiscal years ended September 30, 2000 and 1999. The supplemental consolidating statements of operations and cash flows for the years ended September 30, 2000 and 1999, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such supplemental statements have been subjected to the auditing procedures applied in our audits of the financial statements referred to above and, in our opinion, are fairly stated, in all material respects, in relation to the GSA Consolidated and Combined, the FBF, the GSF, and the ITF financial statements as of and for the fiscal years ended September 30, 2000 and 1999.

### Other Information

Our audits were performed for the purpose of expressing opinions on the GSA Consolidated and Combined, the FBF, the GSF, and the ITF financial statements as of and for the fiscal years ended September 30, 2000 and 1999. The Annual Report contains other information, in addition to the financial statements, consolidating and combining information, required supplementary information, and supplemental statements, which is

presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements referred to above, and, accordingly, we express no opinion on it.

### Opinion on Management's Assertion Regarding the Effectiveness of Internal Control over Financial Reporting

In our opinion, management's assertion included in its representation letter to us dated December 29, 2000, that, as of September 30, 2000, the internal control over financial reporting for the GSA Consolidated and Combined, the Federal Buildings Fund (FBF), the General Supply Fund (GSF), and the Information Technology Fund (ITF) was effective, is fairly stated, in all material respects, based on the objectives stated below in relation to GSA's combined and consolidated financial statements and each fund's financial statements. Management has evaluated the effectiveness of the internal control over financial reporting for each of the aforementioned entities as of September 30, 2000, as part of the evaluation required under the Federal Managers' Financial Integrity Act (FMFIA). Based on this evaluation, management asserted that it believes that, as of September 30, 2000, the internal control over financial reporting for the GSA Consolidated and Combined, the FBF, the GSF, and the ITF was effective in achieving the objectives described below:

- Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition.
- Transactions are executed in accordance with:
  - (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and
  - (ii) any other laws, regulations, and government-wide

policies identified by the Office of Management and Budget (OMB) in OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under standards established by the American Institute of Certified Public Accountants (AICPA) and OMB Bulletin No. 01-02, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect GSA's ability to meet the objectives of internal control with respect to reliability of financial reporting, compliance with applicable laws and regulations, and reliability of performance measures.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited or to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe that none of the three reportable conditions that follow is a material weakness as defined by the AICPA and OMB Bulletin No. 01-02.

As discussed in management's assertion, three reportable conditions involving the internal control over financial reporting and its operation existed as of September 30, 2000: (1) GSA entity-wide system security management and oversight continue to need improvement; (2) development, implementation, and

change controls over GSA's system environment continue to need improvement; and (3) the controls over the integrity of rent data continue to need improvement.

We noted other matters involving the internal control and its operation that we will communicate in a separate management letter.

### 1. GSA Entity-Wide System Security Management and Oversight Continue to Need Improvement

GSA entity-wide system security management and oversight continue to need improvement. Weak access controls and inadequate security procedures were reportable conditions identified during both the fiscal year 1998 and fiscal year 1999 financial statement audits.

Over the past two years, GSA has made some progress in addressing the information protection issues raised in prior years. Specifically, the agency has:

- Issued a security policy, Instructional Letter CIO IL-99-1, in February 1999. Subsequent to year-end, an Order was issued for GSA IT Security Policy, CIO 2100.1, dated October 20, 2000. We did not review this new policy as it was issued after the effective date of management's assertion on internal control.
- Established the IT Security Center of Expertise, which became operational at the end of fiscal year 2000. The Center is responsible for training the Information Systems Security Officers (ISSOs) and Information Systems Security Managers (ISSMs), and for monitoring the progress of and providing guidance to the Services, Staff Offices and Regions (S/SO/R).
- Conducted training for ISSOs and ISSMs during fiscal year 2000. The training covered federal legislation and standards that need to be followed, risk assessment performance, security plan implementation, awareness, and system certification and accreditation.

Despite these accomplishments, GSA's system environment remains threatened by security and integrity exposures impacting key elements of its distributed systems and networks. This year we identified security

weaknesses similar to those we found in previous years. The detailed findings will be provided to GSA management in a separate management letter. The general areas where exposures occurred included:

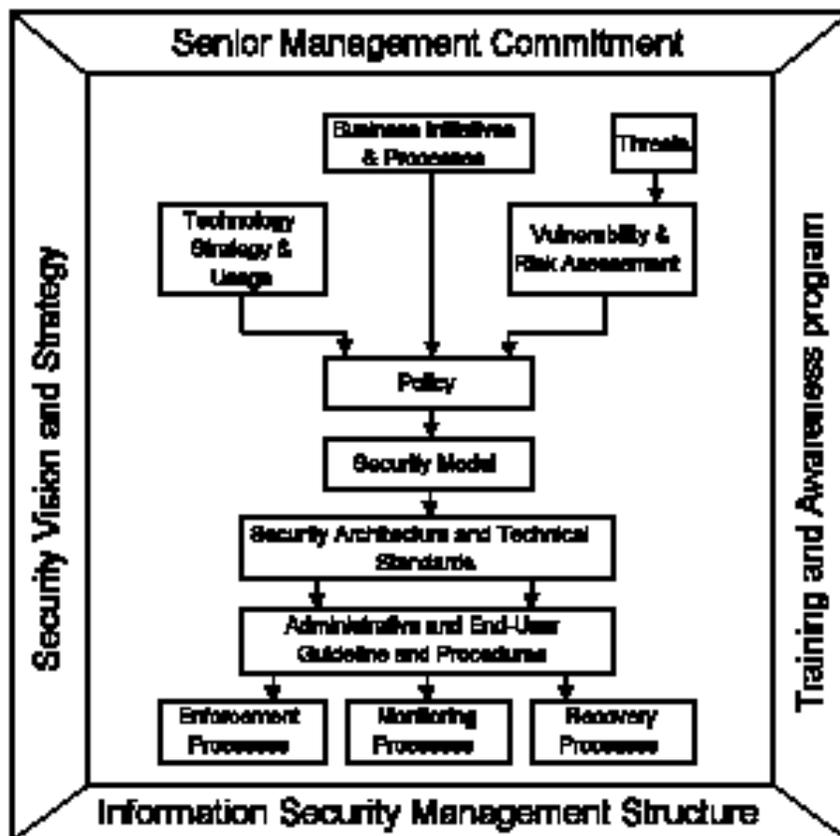
- Entity-wide and application-specific security policies and procedures
- Security administration
- Security monitoring
- Password configuration and controls
- Network and server security
- Segregation of duties
- Security staffing

- Training and awareness
- Physical security

In our view, these exposures occurred primarily because of continuing weaknesses in several components of GSA's overall information security program. The terms italicized in the narrative following the Information Security Framework diagram below describe the various components of that program as reflected in this diagram.

The Information Security Framework diagram highlights the key system security provisions of OMB Circular A-130, Appendix III, and associated NIST guidelines.

### Information Security Framework



The following examples provide insight into the types of weaknesses that we identified in GSA's information security program:

- ***Information Security Management Structure***

The information security management structure does not appear to be effective in implementing security policy, including detailed security architecture and technical standards and associated administrative and end-user guidelines and procedures.

- ***Policy***

The security policy issued in February 1999 was not updated within the fiscal year, and did not address all of the requirements of NIST guidelines (detailed descriptions of items not adequately addressed in entity-wide and application-specific security policies will be documented for GSA management in a separate management letter). (The security policy was replaced by Order CIO 2100.1 dated October 20, 2000.)

- ***Vulnerability and Risk Assessment***

Risk assessments are not performed for all significant applications on a regular basis. The GSA service lines only began to perform risk assessments during fiscal year 2000.

- ***Security Architecture and Technical Standards***

Network, server and application security is inconsistently implemented throughout the S/SO/R of GSA. Minimum configuration settings have not been documented and/or implemented for specific platforms such as Windows NT, Unix, mainframe, and other existing and emerging technologies in GSA's distributed systems environment.

- ***Administrative and End-user Guidelines and Procedures***

Security administration is inconsistently performed throughout the S/SO/R of GSA, and user guidance and procedures are not fully developed and communicated.

- ***Monitoring Processes***

Security monitoring is not being performed on a consistent and effective basis throughout the GSA. While access attempts, violations, and actions of powerful IDs are being monitored on select systems and from the Internet, the majority of environments we reviewed have not implemented such controls (specific systems will be listed for GSA in a separate management letter). Lack of monitoring controls allowed us to compromise several systems during our network penetration testing without being detected (though we were detected during Internet testing).

- ***Training and Awareness Program***

Security training and awareness have not been required for all security administrators and users. During fiscal year 2000 ISSMs and ISSOs were required to attend formal training. While computer based training for security awareness is available, an agency-wide requirement to complete this training does not exist.

- ***Enforcement Processes***

Baseline security policies and procedures set forth by the Office of the CIO are not enforced. Firm reporting relationships have not been established so that the CIO can accurately determine whether security policies and procedures are being followed by the Services, Staff Offices, and Regions.

These weaknesses expose GSA's resources to significant risk of unauthorized access to system resources such as data, programs, and equipment, which could lead to intentional or unintentional modification or destruction of these resources. Also, with the recent passing of the Government Information Security Act, GSA will be required to implement an effective security program to meet Congress's mandate for protecting the government's information assets.

**Recommendation:**

We recommend that GSA strengthen its information security program by implementing the following actions:

- The GSA Administrator needs to ensure the necessary funding is available for implementing a strong security program throughout the GSA.
- The GSA CIO needs to work with the service line CIOs, staff offices and regions, to ensure the effective implementation of the security program. This should include, but not be limited to the following:
  - Procedures for performing vulnerability and risk assessments.
  - Development and/or implementation of technical standards for specific platforms (Windows NT, Unix, mainframe, etc.)
  - Monitoring of access attempts and security violations.
  - Security awareness training for users and security administration training for system administrators.
  - Enforcement and reporting guidelines to ensure policies are followed by the Services, Staff Offices, and Regions.
  - Guidelines for periodically reviewing and updating security policies and procedures.

Implementing consistent security standards across the agency will help to ensure that the current and future systems environment will meet a minimum level of

security. This environment includes the GSA wide-area (network) backbone maintained by the Office of the CIO, the application systems maintained by the Services and Staff Offices, and the local area networks and smaller data centers in the Regions.

**2. Development, Implementation, and Change Controls over GSA's System Environment Continue to Need Improvement**

System development and implementation efforts at GSA need improvement. During the fiscal year 1999 financial statement audit, we reported that we had reviewed three recently implemented applications. During the review, we found development and implementation weaknesses relating to:

- Lack of compliance with GSA's system development life cycle (SDLC) methodology.
- Lack of adequate testing before placement into production.
- Lack of user involvement in design, development, and testing.
- Lack of user acceptance testing.
- Lack of system acceptance and consistency in use by all regions.
- System staff made application changes without adequate documentation, or proper approval.

We determined that the reason these conditions existed was because the Office of the CIO needed to:

- Update the agency-wide application development, implementation, and change control policies and procedures.
- Assess and report on how well Services and Staff Offices were following GSA application development policies and procedures.
- Ensure that a mechanism to enforce the established procedures across the entire agency exists.

During the fiscal year 2000 audit, we continued to find issues similar to those identified during the fiscal year 1999 audit. In addition, we found that documented policies and procedures for implementing both scheduled and emergency changes did not exist in several of the service lines and systems we reviewed. Details regarding specific weaknesses will be provided to GSA management in a separate management letter.

CIO management stated that it was currently reviewing out-of-date systems development policies and procedures to determine if it can use them as a baseline for a new agency-wide plan. When this review process is complete, management will develop and document a plan that all Service and Staff Offices will use when creating or changing applications. Once the plan is implemented, management will then develop mechanisms for ensuring that all Service and Staff Offices follow these procedures.

Inadequate or inconsistent systems development and implementation controls can lead to wasted resources (time, money, staffing), unauthorized changes, failure to meet business needs, and in the case of GSA, may have contributed to system security weaknesses. These security issues relate to logical access controls, monitoring controls, and access being consistent with job responsibilities.

**Recommendation:**

The GSA CIO should:

- 1) Continue with efforts to update the detailed agency-wide application development, implementation, and change control policies and procedures and ensure implementation on all systems planned, in development, and in production.
- 2) Assess and report on how well Services, Staff Offices, and their related contractors are following

GSA application development and change control policies and procedures for all systems.

- 3) Ensure that a process is in place to maintain the GSA system development and change control policies and procedures to help ensure that they continue to address all aspects of GSA's technology environment.

**3. The Controls over the Integrity of Rent Data Continue to Need Improvement**

In fiscal years 1998 and 1999, we found reportable conditions related to the rent data used to support the management of the Federal Buildings Fund. We continued to find some of the same issues during fiscal year 2000. The Public Buildings Service (PBS) has begun to move forward in addressing these issues with internal teams, with some system enhancements for the System for Tracking and Administering Real Property (STAR), and with efforts to verify STAR data.

In fiscal year 2000, PBS fully implemented its new pricing policy, except for federally owned space in the District of Columbia. New pricing changes the rent pricing structure for GSA customers as well as requires the pass-through of lease costs and the use of signed occupancy agreements. We tested controls over new pricing at GSA's regional offices and identified instances where controls need improvement, or where PBS needs to complete action plans it has already initiated to address internal control weaknesses. In addition to testing various aspects of new pricing, we also evaluated the accuracy of data in STAR. We did note improvements from the prior years that were the direct result of PBS's "STAR Data Clean Up" efforts. However, we found several discrepancies that could have a financial statement impact such as inaccurate rent bills. Following is a summary of relevant findings:

- We found that rent billing terms were not always supported by occupancy agreements across regional offices.

- We found instances where occupancy agreements were either not fully executed or were not available.
- Tools, such as fully functioning software to create occupancy agreements, were not always available across regional offices.
- STAR did not provide some critical information needed for space management such as transaction level history.

**Recommendation:**

PBS needs to complete the following steps included in the corrective action plan currently under way for improving the integrity of its rent data:

- Use the occupancy agreements as the basis for supporting space assignments in federally owned and leased buildings.
- Consider enhancing STAR to allow for transaction level history of space assignments and an improved tool for creating occupancy agreements.
- Move forward with plans to validate space in federally owned and leased buildings, if funding from prior year carryovers becomes available.

More specific recommendations regarding this issue will be provided to GSA management in a separate management letter.

**Results of Tests of Compliance with Certain Laws and Regulations**

During our fiscal year 1998 audit, we identified a potential instance of noncompliance arising from a \$50 million transaction characterized as an advance from the FBF to the ITF. We requested the Office of Inspector General (OIG) to review this advance of funds. Subsequently, the Counsel to the Inspector General issued a legal opinion that GSA violated the "Purpose Statute," 31 U.S.C. § 1301, when the FBF advanced to the ITF funds, "which were not properly used to carry out PBS

[Federal Buildings Fund] activities." The OIG opinion was based on the fact that GSA did not liquidate the advance as the FBF placed orders with the ITF; rather, the FBF paid for the orders separately on a monthly basis. The OIG opinion also stated that advanced funds may only be spent by an activity receiving the funds when the advancing agency or activity has placed orders against that advance, and then only in the amount of the orders actually so placed. GSA's Office of General Counsel (OGC) does "not believe that the advance for the Information Technology Fund resulted in a violation of law." In OGC's opinion, "because the advance was properly made for a proper purpose, and subsequently returned to the Federal Buildings Fund within a reasonable time, it did not violate the Purpose Statute or any other provision of law." OGC also concluded "that it was legally permissible to intermingle the advance into the corpus of the Information Technology Fund." Although GSA changed its practice by liquidating the advance quarterly instead of annually, this issue was not resolved in fiscal year 1999. GSA continued this practice during fiscal year 2000, when the FBF advanced \$30 million to the ITF.

Except as noted in the preceding paragraph, our tests of compliance with selected provisions of applicable laws and regulations disclosed no other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

**GSA Management's Responsibilities**

Management is responsible for:

- Preparing the annual financial statements referred to above in conformity with accounting principles generally accepted in the United States of America and preparing the other information contained in the Annual Report.
- Establishing, maintaining, and assessing internal control over financial reporting.

- Complying with laws and regulations applicable to the agency, including the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996.

## Auditors' Responsibilities

We have audited the accompanying balance sheets of the General Services Administration (GSA Consolidated), the FBF, the GSF, and the ITF as of September 30, 2000 and 1999, and the related GSA Consolidated and individual fund statements of net cost and changes in net position, and the GSA Combined and individual fund statements of budgetary resources and financing for the fiscal years then ended. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Also, except for the provisions of paragraph 6.f. relating to internal control over performance measures, we conducted our audits in accordance with OMB Bulletin No. 01-02. The work required by paragraph 6.f. was performed by the Office of Inspector General, and the objective of that work was to gain an understanding of and report deficiencies in the design of internal control over performance measures, rather than to plan the financial statement audit. Auditing standards generally accepted in the United States of America and *Government Auditing Standards* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall

financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

We have examined management's assertion, included in its representation letter to us dated December 29, 2000, that as of September 30, 2000, it maintained effective internal control over financial reporting for the GSA Consolidated and Combined, the FBF, the GSF, and the ITF. Our responsibility is to express an opinion on management's assertion regarding the effectiveness of internal control over financial reporting based on our examination. Our examination was conducted in accordance with attestation standards established by the AICPA, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 01-02, and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We did not evaluate all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls necessary to achieve the objectives in management's assertion about the effectiveness of internal control and OMB Bulletin No. 01-02. We believe that our examination provides a reasonable basis for our opinion.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of GSA's compliance with certain provisions of applicable laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the FFMIA.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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This report is intended solely for the information and use of the management and the Inspector General of GSA, the OMB and the Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*PriceWaterhouseCoopers LLP*

Arlington, Virginia  
December 29, 2000



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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February 14, 2001

MEMORANDUM FOR THURMAN M. DAVIS, SR.  
ACTING ADMINISTRATOR (A)

WILLIAM B. EARLY, JR.  
CHIEF FINANCIAL OFFICER (B)

FROM: WILLIAM R. BARTON  
INSPECTOR GENERAL (J)

SUBJECT: Report on Internal Controls Over Performance Measures

This report presents our conclusions regarding the design and operation of the internal controls over performance measures reported in the Management Discussion and Analysis section of the General Services Administration's (GSA) Fiscal Year 2000 Annual Report. This report also describes our audit responsibilities for conducting the performance measure review.

#### Scope and Methodology

The Office of Management and Budget (OMB) Bulletin No. 01-02 sets forth the audit requirements for Federal financial statements. These requirements include the annual preparation and audit of organization-wide financial statements. Under a contract monitored by the Office of Inspector General (OIG), PricewaterhouseCoopers LLP (PwC) performed the audit of GSA's Fiscal Year 2000 financial statements. However, the OIG conducted the portion of the audit related to internal controls over performance measures. Accordingly, with respect to performance measures reported in the Management Discussion and Analysis section of GSA's Fiscal Year 2000 Annual Report, we obtained an understanding of the design of the significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures, however, were not designed to provide assurance on internal controls over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

We conducted our audit in accordance with Government Auditing Standards and the provisions in OMB Bulletin No. 01-02.

#### Results of Audit

We identified control problems that we believe constitute a reportable condition in the design and operation of the internal controls related to performance measures. Specifically, GSA has not implemented a system of internal controls to ensure that appropriate levels of management understand and are performing the necessary reviews of performance data to enable them to make assertions as to the completeness and existence of the data and systems supporting the measures.

Under standards issued by the American Institute of Certified Public Accountants, a reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgement, could adversely affect GSA's ability to record, process, summarize, and report performance

information in accordance with criteria established by management. A material weakness is a reportable condition in which the design or operation of the internal controls does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned tasks. We do not consider this reportable condition to be a material weakness.

In our Fiscal Year 1998 report, we identified a reportable condition regarding the need to clearly assign responsibility and accountability within GSA for verifying and ensuring the reliability of the data supporting the reported performance measures. While we noted a similar problem in our Fiscal Year 1999 report, GSA had initiated steps to implement appropriate controls to ensure the integrity of performance measures. The Office of the Chief Financial Officer had developed an action plan that identified and defined Agency managers' responsibilities with regard to performance measures, and required managers to formally assert that the data supporting performance exist and are complete. In addition, the plan established accountability requirements for the measures and supporting data at both the Service and Agency-wide levels. At the time, we felt sufficient actions had been taken so that GSA's control problems should no longer be considered a reportable condition.

However, this year we noted the Office of the Chief Financial Officer had not made sufficient progress in implementing these controls. To date, only the responsible Agency managers have been identified. Managers have not been required to assert that performance data exists and is complete nor had accountability requirements been fully implemented. While the Office of the Chief Financial Officer recognizes this lack of progress and has recently begun to take steps to implement appropriate controls, we believe this lack of progress in implementing these identified internal controls represents a reportable condition.

Therefore, we reaffirm that the Chief Financial Officer fully implement the procedures defined in the Action Plan developed in response to the Fiscal Year 1998 audit finding. Specifically, the Chief Financial Officer needs to identify and define managers' responsibilities and accountability for the verification of data supporting performance measures. In addition, each Service needs to assign responsibility for asserting that the data supporting performance measures exist and are complete.

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GSA's audited financial statements, incorporated in this Annual Report, report GSA's financial position and results of operations pursuant to the requirements of 31 U.S.C. 3515(b) and in accordance with prescribed formats. They are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the understanding that, as GSA is a component of the U.S. Government, its liabilities cannot be liquidated without legislation that provides resources to do so.

U.S. General Services Administration  
**Consolidating Statements of Net Cost**

For the Fiscal Years Ended September 30, 2000 and 1999

<i>(DOLLARS IN MILLIONS)</i>	2000	1999
<b>Federal Buildings Fund</b>		
Revenues:		
Building Operations - Government Owned	\$ 3,256	\$ 3,169
Building Operations - Leased	3,419	3,188
Expenses:		
Building Operations - Government Owned	2,802	2,678
Building Operations - Leased	3,504	3,274
Net Income From (Cost of) Operations	<u>369</u>	<u>405</u>
<b>General Supply Fund</b>		
Revenues:		
Supply Operations	1,309	1,385
Vehicle Acquisition and Leasing	1,412	1,400
Other Programs	18	21
Expenses:		
Supply Operations	1,286	1,346
Vehicle Acquisition and Leasing	1,306	1,261
Other Programs	21	21
Net Income From (Cost of) Operations	<u>126</u>	<u>178</u>
<b>Information Technology Fund</b>		
Revenues:		
Network Services	1,030	1,079
IT Solutions	3,982	3,099
Expenses:		
Network Services	1,088	1,073
IT Solutions	3,991	3,100
Net Income From (Cost of) Operations	<u>(67)</u>	<u>5</u>
<b>Other Funds</b>		
Revenues:		
Working Capital Fund	229	212
GSA Operating Expense Fund	11	10
Other Funds	5	3
Expenses:		
Working Capital Fund	251	226
GSA Operating Expense Fund	174	151
Other Funds	78	(63)
Net Income From (Cost of) Operations	<u>(258)</u>	<u>(89)</u>
<b>Less: Intra-GSA Eliminations</b>		
Revenues	449	370
Expenses	487	407
<b>GSA Consolidated</b>		
Revenues	14,222	13,196
Expenses	14,014	12,660
Net Income From (Cost of) Operations	<u>\$ 208</u>	<u>\$ 536</u>

The accompanying notes are an integral part of these statements.

U.S. General Services Administration  
**Consolidating Balance Sheets**

As of September 30, 2000 and 1999

	Federal Buildings Fund		General Supply Fund	
<i>(DOLLARS IN MILLIONS)</i>	2000	1999	2000	1999
<b>ASSETS</b>				
Intragovernmental Assets:				
Funds with U.S. Treasury (Note 1-D)	\$ 3,378	\$ 3,385	\$ 390	\$ 380
Accounts Receivable - Federal, Net (Note 7)	343	352	277	264
Prepaid Expenses and Advances - Federal	5	-	8	1
Total Intragovernmental	3,726	3,737	675	645
Inventories (Note 1-E)	3	4	186	178
Accounts Receivable - Public, Net (Note 7)	6	6	14	24
Prepaid Expenses and Advances - Public	-	-	-	18
Other Assets	1	1	-	-
Property and Equipment (Notes 1-F,2,8):				
Buildings	18,328	16,753	-	-
Leasehold Improvements	263	284	8	8
Telecommunications and ADP Equipment	-	-	-	-
Motor Vehicles	-	-	3,023	2,803
Other Equipment	60	62	78	68
Less: Accumulated Depreciation and Amortization	(7,644)	(6,901)	(904)	(834)
Subtotal	11,007	10,198	2,205	2,045
Land	1,226	1,116	-	-
Construction in Process	1,154	1,676	-	-
Total Property and Equipment	13,387	12,990	2,205	2,045
Total Assets	\$ 17,123	\$ 16,738	\$ 3,080	\$ 2,910
<b>LIABILITIES AND NET POSITION</b>				
Intragovernmental Liabilities:				
Accounts Payable and Accrued Expenses - Federal	\$ 76	\$ 84	\$ 14	\$ 19
Deferred Revenue and Advances - Federal	49	48	12	4
Intragovernmental Debt (Note 3)	2,455	2,572	-	-
Workers' Compensation Actuarial Liability (Note 1-J)	121	113	30	28
Other Intragovernmental Liabilities (Note 9)	152	98	6	6
Total Intragovernmental	2,853	2,915	62	57
Accounts Payable and Accrued Expenses - Public	735	763	131	138
Deferred Revenue and Advances - Public	13	8	-	-
Environmental and Disposals (Notes 6-B, 8-B)	102	95	-	-
Obligations Under Capital Leases (Note 2)	303	279	-	-
Annual Leave Liability (Note 1-H)	37	35	15	14
Deposit Fund Liability	-	-	-	-
Earnings Payable to U.S. Treasury	-	-	-	-
Other Liabilities (Note 9)	146	125	3	-
Total Liabilities	4,189	4,220	211	209
Net Position (Note 5):				
Cumulative Results of Operations	12,934	12,518	2,869	2,701
Unexpended Appropriations	-	-	-	-
Total Net Position	12,934	12,518	2,869	2,701
Total Liabilities and Net Position	\$ 17,123	\$ 16,738	\$ 3,080	\$ 2,910

The accompanying notes are an integral part of these statements.

Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
2000	1999	2000	1999	2000	1999	2000	1999
\$ 60	\$ 43	\$ 397	\$ 420	\$ -	\$ -	\$ 4,225	\$ 4,228
1,405	1,044	17	18	34	29	2,008	1,649
4	-	3	14	11	-	9	15
1,469	1,087	417	452	45	29	6,242	5,892
-	2	-	-	-	-	189	184
28	17	34	28	-	-	82	75
1	1	-	-	-	-	1	19
-	-	15	2	-	-	16	3
-	-	-	-	-	-	18,328	16,753
-	4	-	-	-	-	271	296
158	294	-	-	-	-	158	294
-	-	-	-	-	-	3,023	2,803
59	49	16	17	-	-	213	196
(151)	(215)	(7)	(5)	-	-	(8,706)	(7,955)
66	132	9	12	-	-	13,287	12,387
-	-	-	-	-	-	1,226	1,116
1	1	-	-	-	-	1,155	1,677
67	133	9	12	-	-	15,668	15,180
\$ 1,565	\$ 1,240	\$ 475	\$ 494	\$ 45	\$ 29	\$ 22,198	\$ 21,353
\$ 80	\$ 9	\$ 93	\$ 95	\$ 34	\$ 29	\$ 229	\$ 178
270	216	14	2	11	-	334	270
-	-	8	-	-	-	2,463	2,572
10	10	17	17	-	-	178	168
2	2	36	39	-	-	196	145
362	237	168	153	45	29	3,400	3,333
870	619	21	32	-	-	1,757	1,552
-	-	-	-	-	-	13	8
-	-	107	84	-	-	209	179
-	-	-	-	-	-	303	279
10	9	15	14	-	-	77	72
-	-	46	47	-	-	46	47
-	-	54	56	-	-	54	56
36	33	7	8	-	-	192	166
1,278	898	418	394	45	29	6,051	5,692
287	342	(38)	(17)	-	-	16,052	15,544
-	-	95	117	-	-	95	117
287	342	57	100	-	-	16,147	15,661
\$ 1,565	\$ 1,240	\$ 475	\$ 494	\$ 45	\$ 29	\$ 22,198	\$ 21,353

## Consolidating Statements of Changes in Net Position

For the Fiscal Years Ended September 30, 2000 and 1999

<i>(DOLLARS IN MILLIONS)</i>	Federal Buildings Fund		General Supply Fund	
	2000	1999	2000	1999
Beginning Balance of Net Position	\$ 12,518	\$ 11,578	\$ 2,701	\$ 2,485
Results of Operations:				
Net Income From (Cost of) Operations	369	405	126	178
Appropriations Used (Note 1-C)	-	450	-	-
Non-Exchange Revenue (Notes 1-C, 1-G)	-	-	-	-
Imputed Financing Provided By Others	51	51	25	25
Transfer of Earnings Paid and Payable to U.S. Treasury	-	-	-	(4)
Receipts Appropriated to Finance Special Funds Activities	-	-	-	-
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	(5)	35	17	17
Receipts Paid and Reclassified as Payable From (To) the Land and Water Conservation Fund	-	-	-	-
Other	1	(1)	-	-
Net Results of Operations	416	940	168	216
Increase (Decrease) in Unexpended Appropriations	-	-	-	-
Net Position Ending Balance	\$ 12,934	\$ 12,518	\$ 2,869	\$ 2,701

*The accompanying notes are an integral part of these statements.*

Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
2000	1999	2000	1999	2000	1999	2000	1999
\$ 342	\$ 326	\$ 100	\$ (31)	\$ -	\$ -	\$ 15,661	\$ 14,358
(67)	5	(258)	(89)	(38)	(37)	208	536
-	-	209	187	-	-	209	637
-	-	36	62	-	-	36	62
12	11	19	19	38	37	69	69
-	-	(19)	(36)	-	-	(19)	(40)
-	-	(15)	(14)	-	-	(15)	(14)
-	-	6	(39)	-	-	18	13
-	-	1	(18)	-	-	1	(18)
-	-	-	9	-	-	1	8
(55)	16	(21)	81	-	-	508	1,253
-	-	(22)	50	-	-	(22)	50
\$ 287	\$ 342	\$ 57	\$ 100	\$ -	\$ -	\$ 16,147	\$ 15,661

## Consolidating Statements of Budgetary Resources

For the Fiscal Years Ended September 30, 2000 and 1999

<i>(DOLLARS IN MILLIONS)</i>	Federal Buildings Fund		General Supply Fund	
	2000	1999	2000	1999
<b>Budgetary Resources</b>				
Budget Authority	\$ -	\$ 213	\$ -	\$ (5)
Unobligated Balance, Net - Beginning Balance	2,535	3,087	415	388
Spending Authority From Offsetting Collections	7,084	5,862	3,466	3,422
Adjustments	(263)	(161)	11	19
Total Budgetary Resources	9,356	9,001	3,892	3,824
<b>Status of Budgetary Resources</b>				
Obligations Incurred	6,822	6,667	3,468	3,409
Unobligated Balance - Available	2,067	2,329	424	415
Unobligated Balance - Not Available	467	5	-	-
Total Budgetary Resources	9,356	9,001	3,892	3,824
<b>Outlays</b>				
Obligations Incurred	6,822	6,667	3,468	3,409
Less: Spending Authority from Offsetting Collections and Adjustments	(7,238)	(5,996)	(3,477)	(3,441)
Obligated Balance, Net - Beginning Balance (Note 1-L)	1,109	217	(35)	(76)
Less: Obligated Balance, Net - Ending Balance	(779)	(1,109)	34	35
Total Outlays (Note 1-L)	\$ (86)	\$ (221)	\$ (10)	\$ (73)

*The accompanying notes are an integral part of these statements.*

Information Technology Fund		Other Funds		GSA Combined Totals	
2000	1999	2000	1999	2000	1999
\$ -	\$ -	\$ 210	\$ 252	\$ 210	\$ 460
698	853	121	67	3,769	4,395
5,450	4,741	256	228	16,256	14,253
188	269	-	14	(64)	141
6,336	5,863	587	561	20,171	19,249
5,281	5,165	501	443	16,072	15,684
1,055	698	69	92	3,615	3,534
-	-	17	26	484	31
6,336	5,863	587	561	20,171	19,249
5,281	5,165	501	443	16,072	15,684
(5,638)	(5,010)	(267)	(245)	(16,620)	(14,692)
(655)	(774)	84	81	503	(552)
995	655	(88)	(88)	162	(507)
\$ (17)	\$ 36	\$ 230	\$ 191	\$ 117	\$ (67)

U.S. General Services Administration  
**Combining Statements of Financing**

For the Fiscal Years Ended September 30, 2000 and 1999

<i>(DOLLARS IN MILLIONS)</i>	Federal Buildings Fund		General Supply Fund	
	2000	1999	2000	1999
Obligations and Nonbudgetary Resources				
Obligations Incurred	\$ 6,822	\$ 6,667	\$ 3,468	\$ 3,409
Less: Spending Authority From Offsetting				
Collections and Adjustments	(7,238)	(5,996)	(3,477)	(3,441)
Financing Imputed for Cost Subsidies	51	51	25	25
Other	(9)	56	8	3
Total Adjusted Obligations and Nonbudgetary Resources	(374)	778	24	(4)
Resources That Do Not Fund Net Cost of Operations				
(Increase)/Decrease in Goods and Services Ordered				
But Not Yet Received	(129)	(247)	(101)	(18)
Increase/(Decrease) in Unfilled Customer Orders	424	(473)	87	(6)
Costs Capitalized on the Balance Sheet	(1,074)	(1,175)	(635)	(616)
Financing Sources Funding Prior Year Costs	(32)	(31)	-	-
Other	30	(45)	4	2
Total Resources That Do Not Fund Net Cost of Operations	(781)	(1,971)	(645)	(638)
Costs Not Requiring Current Resources				
Depreciation and Amortization	804	759	265	243
Net Book Value of Property Sold	-	11	221	216
Other	-	4	9	2
Total Costs Not Requiring Current Resources	804	774	495	461
Financing Sources Yet to Be Provided				
Unfunded Capitalized Costs	(6)	(26)	-	-
Unfunded Current Expenses	(12)	40	-	3
Total Financing Sources Yet to be Provided	(18)	14	-	3
Net (Income From) Cost of Operations	\$ (369)	\$ (405)	\$ (126)	\$ (178)

*The accompanying notes are an integral part of these statements.*

Information Technology Fund		Other Funds		GSA Combined Totals	
2000	1999	2000	1999	2000	1999
\$ 5,281	\$ 5,165	\$ 501	\$ 443	\$ 16,072	\$ 15,684
(5,638)	(5,010)	(267)	(245)	(16,620)	(14,692)
12	11	19	19	107	106
(12)	(17)	(8)	(36)	(21)	6
(357)	149	245	181	(462)	1,104
(39)	(692)	(8)	18	(277)	(939)
398	563	8	3	917	87
(20)	(28)	(2)	(8)	(1,731)	(1,827)
1	1	-	-	(31)	(30)
(5)	-	(3)	16	26	(27)
335	(156)	(5)	29	(1,096)	(2,736)
27	25	6	3	1,102	1,030
54	-	-	-	275	227
8	(1)	-	1	17	6
89	24	6	4	1,394	1,263
-	-	-	-	(6)	(26)
-	(22)	12	(125)	-	(104)
-	(22)	12	(125)	(6)	(130)
\$ 67	\$ (5)	\$ 258	\$ 89	\$ (170)	\$ (499)

# Notes to Financial Statements

For the fiscal years ended September 30, 2000 and 1999

## ORGANIZATION

The U.S. General Services Administration (GSA) was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended (the Act). The U.S. Congress enacted this legislation to provide for the Federal Government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of General Services, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

For its principal financial statements, GSA uses consolidating and combining formats to display its three largest revolving funds: the Federal Buildings Fund (FBF), General Supply Fund (GSF), and Information Technology Fund (ITF). All other funds have been combined under Other Funds.

The accompanying financial statements of GSA include the accounts of all funds under GSA control, which have been established and maintained to account for resources of GSA management. The entities included in the Other Funds category are as follows, with a discussion of the different fund types.

Revolving Funds are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by the U.S. Congress. The revolving funds in the Other Funds category consist of the following:

- Columbia Hospital For Women Direct Loan Financing Account
- Federal Consumer Information Center Fund
- Working Capital Fund

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 8 General Fund accounts of which three are funded by current year appropriations, two by no-year appropriations, and three cannot incur new obligations. The general funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Presidential Transition
- Office of Inspector General
- Office of Inspector General (Automation Program)
- Operating Expenses, General Services Administration
- Real Property Relocation
- Salaries and Expenses, Pennsylvania Avenue Development Corporation

Special Funds are accounts established for receipts earmarked by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. GSA uses

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Special Fund receipts to pay certain costs associated with the disposal of surplus real property and for funding of the Transportation Audits Program. GSA's special funds consist of the following:

- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Operating Expenses, Disposal of Real and Related Personal Property
- Other Receipts, Surplus Real and Related Personal Property
- Receipts of Rent, Leases and Lease Payments for Government Owned Real Property
- Receipts, Transportation Audits
- Transfer of Surplus Real and Related Personal Property

Miscellaneous Receipt and Deposit Fund accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to general funds of the Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received, and (4) monies whose distribution awaits a legal determination or investigation. The receipt and deposit funds in the Other Funds category consist of the following:

- Budget Clearing Account

- Interest Receipts from Columbia Hospital for Women Direct Loan Financing Account
- Credits for Withholding and Contributions, Civil Service Retirement and Disability Fund
- Employees' Payroll Allotment Account, U.S. Savings Bonds
- Fines, Penalties, and Forfeitures, Not Otherwise Classified
- Forfeitures of Unclaimed Money and Property
- General Fund Proprietary Interest, Not Otherwise Classified
- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Suspense
- Suspense, Transportation Audits
- Unconditional Gifts of Real, Personal or Other Property
- Withheld State and Local Taxes

## B. Basis of Accounting

The principal financial statements are prepared in accordance with generally accepted accounting principles as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and the hierarchy prescribed in OMB Bulletin 97-01, "Formats and Instructions for the Form and Content of Agency Financial Statements," as amended, which states the following:

1. Individual standards agreed to by the Director of OMB, the Controller General, and the Secretary of the Treasury and published by the General Accounting Office.
2. Interpretations related to the SFFASs issued by OMB in accordance with the procedures outlined in OMB Circular A-134, "Financial Accounting Principles and Standards".

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3. Requirements contained in OMB's Form and Content Bulletin in effect for the period covered by the financial statements.
  4. Accounting principles published by other authoritative standard-setting bodies and other authoritative sources (a) in the absence of other guidance in the first three parts of this hierarchy, and (b) if the use of such accounting principles improves the meaningfulness of the financial statements.

GSA's financial statements are prepared in accordance with formats prescribed in OMB Bulletin 97-01, as amended. These formats are considerably different from business-type formats. The Statements of Net Cost present the operating results of GSA by major programs and responsibilities. The Balance Sheets present the financial position of GSA using a format clearly segregating intra-governmental balances. The Statements of Changes in Net Position display the changes in equity accounts. The Statements of Budgetary Resources present the sources, status, and uses of GSA's budgetary resources. Lastly, the Statements of Financing bridge the gap between the uses of budgetary resources with the operating results reported as the net cost of operations on the Statements of Net Cost.

GSA did not perform the reconciliations with trading partners required by OMB Bulletin 97-01, as amended, which requires agencies to reconcile intra-governmental income, expense, assets and liabilities, with all of its trading partners.

Certain prior year balances have been reclassified to conform with the current year's presentation.

On the Statements of Net Cost, Balance Sheets, Supplemental Statements of Operations and Supplemental Statements of Cash Flows, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the Combining Statements of Budgetary Resources and Financing.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

In fiscal year 1999, GSA made changes to accounting estimates for certain environmental and legal matters based on new information and events. These changes were reflected as reductions to expenses in that year.

### C. Revenue Recognition and Appropriations Used

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered. Revenue under nonrecurring reimbursable building repair and alteration projects is recognized under the percentage-of-completion method. Non-Exchange revenues are recognized on an accrual basis on the Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA's operations where ultimate collections must be deposited in miscellaneous receipt accounts of the Treasury. Non-Exchange revenues are reported net of associated bad debt expense on uncollectable accounts.

Appropriations for General Fund and Special Fund activities are recorded as a financing source on the Consolidating Statements of Changes in Net Position when expended. Unexpended appropriations are reported as an element of Net Position on the Balance Sheets.

### D. Funds with U.S. Treasury

This total represents all unexpended balances for GSA's accounts with the U.S. Treasury. Amounts in Funds with U.S. Treasury are based on the balances recorded by GSA in the National Electronic Accounting and

Reporting (NEAR) system. Differences existing between the total balance reported by GSA that were greater (less) than those reported by the Department of the Treasury at September 30, 2000 were as follows (dollars in millions):

Federal Buildings Fund	\$ 2
General Supply Fund	(6)
Information Technology Fund	(6)
Other Funds	(7)
<b>Total</b>	<b>\$ (17)</b>

Included in GSA's accounts are certain amounts that may be transferred to either the U.S. Treasury or the Land and Water Conservation Fund (see Note 1-G). These amounts, related to the Transportation Audits program and surplus real property disposals, are subject to transfer subsequent to GSA's determination of the internal working capital needs of these programs. Such amounts totaled \$132 million and \$127 million at September 30, 2000 and 1999, respectively, of which \$94 million and \$93 million were recorded as liabilities in the Consolidating Balance Sheets. At September 30, 2000 and 1999, the balance of Funds with Treasury that were no longer available for expenditure totaled \$4 million and \$3 million, respectively. Of these amounts, substantially all balances were transferred back to the Special Fund Receipt Accounts from which they were appropriated, with minor amounts returned to Treasury.

In accordance with Statement of Federal Financial Accounting Standards Number 1, "Accounting for Selected Assets and Liabilities," the following information is provided to further identify amounts in Funds with U.S. Treasury as of September 30, 2000 against which obligations have been made, and, for unobligated balances, to identify amounts budgetarily available for future expenditures and those only available to liquidate prior obligations (dollars in millions):

	Obligated Balance, Net	Unobligated Balance		Total
		Available	Unavailable	
FBF	\$ 758	\$ 1,836	\$ 784	\$ 3,378
GSF	(34)	424	-	390
ITF	(995)	1,055	-	60
Other Funds	88	69	240	397
<b>Total</b>	<b>\$ (183)</b>	<b>\$ 3,384</b>	<b>\$ 1,024</b>	<b>\$ 4,225</b>

#### E. Inventories

Operating supplies, which are consumed in operations, are valued at the lower of cost, determined principally on the first-in, first-out method, or market. Inventories held for sale to other Federal agencies consist primarily of General Supply Fund inventories which are valued at the lower of cost, generally determined on a moving average basis, or market. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan.

In the Federal Buildings Fund, inventory balances consist of operating supplies. In all other instances, inventory balances reported are inventories held for sale. In the General Supply Fund, \$1 million of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another Federal agency, sold, or donated to state or local governments.

#### F. Property and Equipment (See Note 8)

Property and equipment purchases and additions in fiscal years 2000 and 1999 of \$10,000 or more and having a useful life of 2 or more years are capitalized and valued at cost. Property and equipment transferred to GSA from other Federal agencies on the date GSA was established is stated at the transfer value which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value, and surplus real and related personal property transferred to GSA is stated at the lower of net book

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value or appraised value. Expenditures for major additions, replacements, and alterations are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of repair and alteration and of leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA's financial statements as such amounts are transferred to the other agencies upon completion of the project. Substantially all land, buildings, and leasehold improvements are leased to other Federal agencies under short-term cancellable agreements. Generally, these agencies are billed for leased space at rent based upon commercial rates for comparable space.

Depreciation and amortization of property and equipment, exclusive of that acquired under capital leases, are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold improvements are amortized over the lesser of their useful lives or the unexpired lease term. Buildings capitalized by the Federal Buildings Fund at its inception in 1974 were assigned remaining useful lives of 30 years. Prior to 1974, no depreciation was recorded by GSA. Upon completion, construction costs are capitalized in the Land and Buildings accounts. Major and minor building renovation projects carry estimated useful lives of 20 years, and 10 years, respectively. In fiscal year 2000, GSA recorded capitalized interest costs of \$103 thousand in the Construction in Process account associated with debt provided by the U.S. Treasury's Federal Financing Bank, as discussed in Note 3. Interest capitalized in fiscal year 1999 amounted to \$1 million.

Telecommunications equipment and automated data processing equipment are used in operations to perform services for other Federal agencies for which billings are rendered. Most of the assets comprising other equipment are used internally by GSA. Telecommunications and other equipment, exclusive of that acquired under capital leases, is depreciated over periods generally ranging from 3 to 10 years. Telecommunications equipment under capital leases

are generally depreciated over their estimated useful lives (approximately 10 years). Automated data processing equipment is depreciated over periods generally ranging from 3 to 5 years.

Motor vehicles are generally depreciated over 4 to 6 years.

#### G. Receipts from Disposal of Property and Equipment

GSA acts as a disposal agent for surplus Federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA's legislative authorities, the gross proceeds from some sales are deposited in GSA's Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidating Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior. Transfers in fiscal years 2000 and 1999 were \$2 million and \$8 million, respectively.

#### H. Annual, Sick, and Other Types of Leave

Annual leave is accrued as it is earned and the accrual is relieved as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.

#### I. Supplemental Consolidating Statements of Cash Flows (unaudited)

These statements identify cash receipts and payments and classify them into operating, financing, and investing activities. This additional disclosure of information is intended to help assess the ability to generate funds from current operations, to identify

financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds. Cash, for the purposes of these schedules, equals Funds with U.S. Treasury as defined in Note 1-D.

#### J. Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL) which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. The DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' compensation, and medical and miscellaneous costs for approved compensation cases. The present value of these estimates at the end of fiscal year 2000 was calculated by DOL using discount rates by fiscal year as follows: 2001 – 6.15 percent; 2002 - 6.28 percent; 2003 and thereafter- 6.30 percent. At the end of fiscal year 1999, the discount rates used were as follows: 2000 – 5.50 percent; 2001 - 5.50 percent; 2002 - 5.55 percent; and 2003 and thereafter - 5.60 percent. The actuarial liability recorded by GSA totaled \$179 million and \$168 million as of September 30, 2000 and 1999, respectively.

#### K. Statements of Net Cost

Revenues reported by GSA's funds on the Statements of Net Cost are primarily generated from intra-governmental sales of goods and services. Each fund has established rate setting processes governed by the laws authorizing their activities. In most cases, the rates charged are intended to cover the full cost that the funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover costs covered by other funds or entities of the U.S. Government, such as for post-employment and

other inter-entity costs. Revenues from non-Federal entities make up an immaterial portion of GSA's total sales. Accordingly, where not otherwise governed by law, unique rates for non-Federal customers have generally not been established.

#### L. Statements of Budgetary Resources

Due to timing differences between dates required by the U.S. Treasury for reporting of fund balances and budget execution results versus the timing of this report, additional adjustments to the balances reported to Treasury have been made to more fully reflect the activity for the fiscal year ending and for balances as of September 30, 2000 as reported on the Statements of Budgetary Resources. The most significant impact of this timing difference is that outlays reported on the Statements of Budgetary Resources are greater (less) than amounts reported to Treasury as follows (dollars in millions):

Federal Buildings Fund	\$ (2)
General Supply Fund	33
Information Technology Fund	20
Other Funds	14
<b>Total</b>	<b>\$ 65</b>

Also, in the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (Public Law 105-277 dated October 21, 1998), GSA was authorized to merge the assets, liabilities and fund balances of the Pennsylvania Avenue Activities Fund into the Federal Buildings Fund. As a result, a \$21 million balance of net obligations was transferred between the funds and was reported in fiscal year 1999 under the caption Obligated Balance, Net – Brought Forward on this statement.

## 2. LEASING ARRANGEMENTS

As of September 30, 2000, GSA was committed to various noncancellable operating leases primarily covering administrative office space and storage facilities maintained by the Federal Buildings Fund

(FBF), and for motor vehicles in the General Supply Fund (GSF). Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options.

The following are schedules of future minimum rental payments required under leases that have initial or remaining noncancellable lease terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions).

#### Operating Leases

Fiscal Year	FBF	GSF	Total
2001	\$ 2,318	\$ 27	\$ 2,345
2002	2,049	18	2,067
2003	1,798	9	1,807
2004	1,545	-	1,545
2005	1,333	-	1,333
2006 and thereafter	7,478	-	7,478
Total minimum lease payments	\$ 16,521	\$ 54	\$ 16,575

#### Capital Leases

Fiscal Year	FBF	Total
2001	\$ 28	\$ 28
2002	28	28
2003	28	28
2004	28	28
2005	28	28
2006 and thereafter	414	414
Total minimum lease payments	554	554
Less: Amounts representing Interest	(251)	(251)
Total obligations under capital leases	\$303	\$303

Substantially all leased space maintained by the Federal Buildings Fund is sublet to other Federal agencies at rent charges based upon approximate commercial rates for comparable space. The agreements covering the sublease arrangements allow customer agencies, among other things, to terminate the sublease at any time. In most cases, however, GSA

believes the subleases will continue without interruption. Rental income under subleasing agreements approximated \$3.1 billion and \$2.9 billion for the fiscal years ended September 30, 2000 and 1999, respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately \$2.9 billion and \$2.6 billion in fiscal years 2000 and 1999, respectively.

The Consolidating Balance Sheets as of September 30, 2000, includes capital lease assets of \$319 million for buildings, and \$43 million of aggregate accumulated amortization on such structures and equipment.

For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

### 3. DEBT FINANCING

#### A. Federal Buildings Fund

Purchase Contract and Lease Purchase Debt Purchase contract debt consists of two distinct financing methods employed to finance construction of Federal buildings. The Dual System provided monies via publicly issued Participation Certificates and Participation Certificates of the Department of the Treasury's Federal Financing Bank (FFB). The Package System, originally consisted of mortgage notes where construction and financing were arranged by the same party. GSA is not authorized to obtain any additional purchase contract debt without congressional approval.

In fiscal years 1993 through 1995, GSA refinanced all outstanding publicly issued Participation Certificates and Package System mortgage notes with the FFB. GSA now has title to all purchase contract buildings.

Starting in fiscal year 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the Federal Buildings

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Fund (FBF) lease purchase authority. Under these agreements, the FBF borrows monies through the FFB or executes lease-to-own contracts to finance the lease purchases. The program authorizes total expenditures of \$1,945 million for 11 projects. In fiscal years 2000 and 1999, the FFB made advance payments on the behalf of GSA totaling \$6 million and \$8 million, respectively. As of September 30, 2000, \$231 million of borrowing authority under the lease purchase program remains available for obligation.

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities are as follows (dollars in millions): 2001 - \$79; 2002 - \$85; 2003 - \$85; 2004 - \$56; 2005 - \$38; 2006 and beyond - \$1,334.

#### Pennsylvania Avenue Debt

The former Pennsylvania Avenue Development Corporation originally received authority to borrow from the FFB to finance construction of the Ronald Reagan Building (RRB) in Washington, D.C., with a project budget of \$738 million. In 1990, PADC entered into a long-term lease agreement with the FFB and GSA, whereby GSA leased and would ultimately receive title to the building. The agreement required GSA to make rental payments over a 30-year period to retire the PADC debt with the FFB. Through fiscal year 1998, balances financed for this project were accounted for in GSA's Pennsylvania Avenue Activities Fund (PAAF).

In the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (Public Law 105-277 dated October 21, 1998), GSA was authorized to merge the assets, liabilities and fund balances of the PAAF into the FBF. The most significant impact of this action was to close out the capital lease agreement between the two funds for the RRB and reflect the debt as a liability of the FBF.

In fiscal year 2000 and 1999, the FFB made \$300 thousand and \$15 million, respectively, in advance

payments on the behalf of GSA for this project (see Note 11).

Aggregate maturities on debt related to the RRB are as follows (dollars in millions): 2001 - \$11; 2002 - \$12; 2003 - \$13; 2004 - \$13; 2005 - \$14; 2006 and beyond - \$715.

#### B. Direct Loan Financing Debt

In the Treasury and General Government Appropriations Act, 2000 (Public Law 106-58), Congress gave GSA the authority to sell a parcel of land in Washington D.C. to the Columbia Hospital for Women and provided for GSA to offer 30 year financing. In accordance with the budgetary requirements of the Credit Reform and Deficit Reduction Act of 1990, when financing terms were accepted for the sale, GSA borrowed an equal amount of money from the U.S. Treasury to obtain an immediate credit of cash for the amount of the sale. The note receivable and borrowing are accounted for in the Columbia Hospital for Women Direct Loan Financing Account, a fund established with the U.S. Treasury solely for this purpose. The term of the borrowing matched the 30-year term of the note. Proceeds from the note receivable from the sale will be used to liquidate the Treasury borrowing over the matching terms. The \$14 million proceeds from the borrowing were deposited in the related program account (the FBF). FBF funds were then used to pay a subsidy cost of \$6 million to the financing account that represents the present value differential caused by below-market interest rate provided by Congress, as well as the possible credit risk associated with the note.

## C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements at September 30, 2000 and 1999 were as follows (dollars in millions):

	2000	1999
<b>FEDERAL BUILDINGS FUND</b>		
Purchase Contract Debt		
Dual System		
Participation certificates held by the Federal Financing Bank, due at various dates from November 1, 2000 through November 15, 2004, at interest rates ranging from 4.703 percent to 9.162 percent.	\$ 175	\$ 260
Package System		
Mortgage loans held by the FFB due at various dates from March 25, 2003 through March 25, 2005, at interest rates ranging from 6.399 percent to 7.939 percent.	21	26
Lease Purchase Debt		
Mortgage loans and construction advances held by the FFB, due at various dates from January 30, 2002 through October 1, 2026, at interest rates ranging from 4.975 percent to 8.561 percent	1,481	1,497
Pennsylvania Avenue Debt		
Ronald Reagan Building, mortgage loans due November 2, 2026, at interest rates ranging from 5.198 percent to 8.323 percent	778	788
Subtotal Federal Buildings Fund Debt	<u>\$ 2,455</u>	<u>\$ 2,571</u>
<b>DIRECT LOAN FINANCING DEBT</b>		
Columbia Hospital Direct Loan Financing Account	8	-
<b>TOTAL GSA DEBT</b>	<u>\$ 2,463</u>	<u>\$ 2,571</u>

## 4. EMPLOYEE BENEFIT PLANS

### A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System and the Federal Employees Retirement System and makes the necessary payroll withholdings from them, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the Office of Personnel Management (OPM). Reporting of health care benefits for retired employees are also the direct responsibility of OPM.

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) Number 5, "Accounting for Liabilities of the Federal Government," GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidating Statements of Net Cost. While these costs will ultimately be funded out of direct appropriations made to OPM and do not require funding by GSA activities, they are an element of government-wide costs incurred as a result of GSA's operations.

### B. Civil Service Retirement System

In fiscal year 2000, 44.2 percent of GSA employees were covered by the Civil Service Retirement System (CSRS), a defined benefit plan. Total GSA (employer) contributions (9.01) percent of base pay for law

enforcement employees, and 8.51 percent for all others) to CSRS for all employees in fiscal years 2000 and 1999 were \$33 million and \$32 million, respectively.

### C. Federal Employees Retirement System

On January 1, 1987, the Federal Employees Retirement System (FERS), a defined contribution plan, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2000, 55.3 percent of GSA's employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the Federal Government's Thrift Savings Plan (TSP) for each employee. Under CSRS, employees can invest up to 5 percent of their base pay in the TSP. Employees under FERS can invest up to 10 percent of base pay, plus GSA will automatically contribute 1 percent of base pay and then match employee contributions up to an additional 4 percent of base pay. During fiscal years 2000 and 1999, GSA (employer) contributions to FERS (23.3 percent of base pay for law enforcement employees and 10.7 percent for all others) totaled \$42 million and \$38 million, respectively. Additional GSA contributions to the TSP correspondingly totaled \$17 million and \$15 million.

### D. Social Security System

GSA also makes matching contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed matching amounts of 6.20 percent of gross pay (up to \$76,200) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2000. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to SSA's Medicare Hospital Insurance program in calendar year 2000. Only 0.5 percent of GSA's employees are covered exclusively by these Social Security programs. Payments to these

programs in fiscal years 2000 and 1999 amounted to \$39 million and \$36 million, respectively.

### E. Schedule of Unfunded Benefit Costs

Amounts recorded in fiscal year 2000 in accordance with SFFAS Number 5 for post-employment benefits are as follows (dollars in millions):

	Pension Benefits	Health/Life Insurance	Total
FBF	\$ 14	\$ 17	\$ 31
GSF	7	7	14
ITF	4	3	7
Other Funds	7	6	13
Total	\$ 32	\$ 33	\$ 65

## 5. STATEMENTS OF CHANGES IN NET POSITION

### A. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, by congressional rescissions, and by transfers to other Federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

GSA's Federal Buildings Fund (FBF), General Supply Fund (GSF), Information Technology Fund (ITF), Working Capital Fund (WCF), and Federal Consumer Information Center Fund (FCICF) have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the GSF, earnings are retained to cover the cost of replacing the motor vehicle fleet and supply inventory. The ITF retains cumulative

results to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains earnings to finance future operations. The FCICF retains cumulative results to finance future operations, subject to appropriation by Congress.

## B. Unexpended Appropriations

Unexpended Appropriations of GSA's general appropriated and special funds consist of unobligated balances, and undelivered orders, net of unfilled customer orders. Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds or from the public where GSA has yet to provide the good or service requested. At September 30, 2000 balances reported as unexpended appropriations were as follows (dollars in millions):

Unobligated Balances	
Available	\$ 44
Unavailable	11
Undelivered Orders, Net	40
<b>Total Unexpended Appropriations</b>	<b>\$ 95</b>

## 6. COMMITMENTS AND CONTINGENCIES

### A. Commitments

In addition to future lease commitments discussed in Note 2, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities amounted to \$4.7 billion in fiscal year 2000 and \$4.2 billion in 1999.

In fiscal year 1999, GSA awarded two contracts for long-distance telecommunications services (FTS2001) to replace the existing FTS2000 contracts that provide state-of-the-art integrated voice, data, and video telecommunications. Costs for services to be provided over the eight-year term of the contracts are estimated to be \$5 billion. The contracts provide minimum revenue guarantees, of which \$1,253 million remains outstanding as of September 30, 2000.

### B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of GSA.

#### Contingencies Covered by GSA Funds

As of September 30, 2000 and 1999, GSA recorded contingent liabilities in total of \$134 million and \$149 million, respectively, for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, GSA funds will probably incur losses. Of these balances, \$134 million and \$147 million, respectively, were reported as Other Liabilities on the Consolidating Balance Sheets, with the remainder reported as Accounts Payable – Public, therein.

In addition, GSA had another \$152 million and \$131 million in contingencies at September 30, 2000 and 1999, respectively, where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these contingencies.

In most cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other Federal agencies. The costs of administering, litigating, and resolving these actions

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are generally borne by GSA unless it can recover the cost from another Federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other Federal agencies. Amounts to be paid under any decision, settlement, or award pertaining thereto are sometimes funded by those agencies.

**Contingencies Covered by the Judgment Fund**  
In most cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the Department of the Treasury. In accordance with the FASAB's Interpretation Number 2, "Accounting for Treasury Judgment Fund Transactions," costs incurred by the Federal government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA reported \$133 million and \$73 million in fiscal years 2000 and 1999, respectively, of Environmental and Disposals and Other Liabilities for contingencies, which will require funding exclusively through the Judgment Fund. Of those amounts, \$95 million and \$71 million, result from several environmental cases outstanding at the end of fiscal years 2000 and 1999, respectively, where GSA has been named as a potentially responsible party.

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible but not probable ranged from \$174 million to \$3.6 billion at September 30, 2000 and ranged from \$303 million to \$3.7 billion at September 30, 1999.

The recognition of claims to be funded through the Judgment Fund on GSA's Consolidating Statements of Net Cost and Consolidating Balance Sheets is, in effect, recognition of these liabilities against the Federal government as a whole, and should not be interpreted as claims against the assets, or resources of any GSA

fund, nor will any future resources of GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former Federal entities, particularly former World War II defense related activities.

Amounts paid from the Judgment Fund on behalf of GSA were \$68 million and \$40 million in fiscal years 2000 and 1999, respectively. Of these amounts \$63 million and \$32 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contracts in dispute. The balance of claims paid on behalf of GSA do not require reimbursement to the Judgment Fund.

## 7. ACCOUNTS AND NOTES RECEIVABLE

Substantially all accounts receivable are from other Federal agencies. Unbilled accounts receivable result from the delivery of goods or performance of services for which bills have not yet been rendered. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and writeoffs.

Notes receivable are from the sale of surplus real and related personal property, from motor vehicle damage claims, and from contract claims. Interest rates range from 0.0 percent to 12.6 percent.

In the Treasury and General Government Appropriations Act, 2000 (Public Law 106-58), Congress gave GSA the authority to sell a parcel of land in Washington D.C. to the Columbia Hospital for Women and provided for GSA to offer 30 year financing at 4.25% interest for the \$14 million sale amount. The property was sold under this authority in September 2000, with GSA accepting a down payment of approximately \$1 million, with the

balance of \$13 million being financed by a note with the terms indicated above. In accordance with the budgetary requirements of the Credit Reform and Deficit Reduction Act of 1990, and FASAB Standard No. 2, Accounting for Direct Loans and Loan Guarantees, this note is presented at the present value of the anticipated cash flows from the note. This note receivable is accounted for in the Columbia Hospital for Women Direct Loan Financing Account. A subsidy cost of \$6 million was recorded as an allowance against this

note in accordance with estimates made by the Office of Management and Budget. This subsidy amount represents the present value differential caused by the below market interest rate, totaling \$2 million, as well as the possible credit risk associated with the note, estimated at \$4 million.

A summary of Accounts and Notes Receivable is as follows (dollars in millions):

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Current:												
Accounts receivable - Billed	\$ 232	\$ 242	\$ 119	\$ 122	\$ 218	\$ 118	\$ 30	\$ 32	\$ -	\$ -	\$ 599	\$ 514
Accounts receivable - Unbilled	163	139	181	174	1,215	943	17	17	34	29	1,542	1,244
Allowance for doubtful accounts	(46)	(23)	(9)	(8)	-	-	(4)	(4)	-	-	(59)	(35)
	349	358	291	288	1,433	1,061	43	45	34	29	2,082	1,723
Add: Current notes receivable	-	-	-	-	-	-	1	-	-	-	1	-
Subtotal - Current receivables	349	358	291	288	1,433	1,061	44	45	34	29	2,083	1,723
Noncurrent notes receivable												
(Net of allowance of \$30 and \$22 in 2000 and 1999, respectively)	-	-	-	-	-	-	7	1	-	-	7	1
Total Accounts and Notes Receivable	\$ 349	\$ 358	\$ 291	\$ 288	\$ 1,433	\$ 1,061	\$ 51	\$ 46	\$ 34	\$ 29	\$ 2,090	\$ 1,724

## 8. PROPERTY AND EQUIPMENT

### A. Summary of Balances

Balances in GSA's Property and Equipment accounts are summarized below (dollars in millions):

	Buildings	Leasehold Improvements	Telecom & ADP Equipment	Motor Vehicles	Other Equipment	Land	Construction In Process	Total
<b>Federal Buildings Fund</b>								
Cost	\$ 18,328	\$ 263	\$ –	\$ –	\$ 60	\$ 1,226	\$ 1,154	\$ 21,031
Accumulated Depreciation	7,407	205	–	–	32	–	–	7,644
Net Book Value	10,921	58	–	–	28	1,226	1,154	13,387
<b>General Supply Fund</b>								
Cost	–	8	–	3,023	78	–	–	3,109
Accumulated Depreciation	–	3	–	858	43	–	–	904
Net Book Value	–	5	–	2,165	35	–	–	2,205
<b>Information Technology Fund</b>								
Cost	–	–	158	–	59	–	1	218
Accumulated Depreciation	–	–	112	–	39	–	–	151
Net Book Value	–	–	46	–	20	–	1	67
<b>Other Funds</b>								
Cost	–	–	–	–	16	–	–	16
Accumulated Depreciation	–	–	–	–	7	–	–	7
Net Book Value	–	–	–	–	9	–	–	9
<b>Total</b>								
Cost	18,328	271	158	3,023	213	1,226	1,155	24,374
Accumulated Depreciation	7,407	208	112	858	121	–	–	8,706
Net Book Value	\$ 10,921	\$ 63	\$ 46	\$ 2,165	\$ 92	\$ 1,226	\$ 1,155	\$ 15,668

### B. Cleanup Costs

In GSA's Federal Buildings Fund, certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. Cleanup of such hazards is governed by various Federal and State laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

In accordance with the Federal Accounting Standards Advisory Board's Statements of Federal Financial

Accounting Standards (SFFAS) Numbers 5 and 6, "Accounting for Liabilities of the Federal Government," and "Accounting for Property Plant and Equipment," respectively, and interpretive guidance in "Federal Financial Accounting and Auditing Technical Release Number 2" issued by the Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements. Accordingly, GSA recognized liabilities totaling \$102 million and \$95 million for Environmental and Disposals costs as of September 30, 2000 and 1999, respectively, for properties currently in GSA's property inventory. In

instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as is prescribed in the guidance noted above. In some instances, GSA has been named

as a party in certain environmental cases where the subject property is no longer in the GSA or Federal property inventory. GSA's liability for such cases is further discussed in Note 6.

## 9. OTHER LIABILITIES

As of September 30, 2000, amounts reported on the balance sheet as Other Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions):

	FBF	GSF	ITF	Others	Total GSA Consolidated
Other Intragovernmental Liabilities:					
Workers' Compensation Due to DOL	\$ 24	\$ 6	\$ 2	\$ 4	\$ 36
Deposits Held in Suspense	-	-	-	32	32
Payments Due to the Judgment Fund	128	-	-	-	128
<b>Total</b>	<b>\$ 152</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$36</b>	<b>\$196</b>
Other Liabilities:					
Contingencies	\$133	\$ 3	\$ 36	\$ -	\$172
Installment Purchase Liabilities	13	-	-	-	13
Pensions for Former Presidents	-	-	-	7	7
<b>Total</b>	<b>\$146</b>	<b>\$ 3</b>	<b>\$ 36</b>	<b>\$ 7</b>	<b>\$192</b>

## 10. UNFUNDED LIABILITIES

As of September 30, 2000 and 1999, budgetary resources were not yet available to fund certain liabilities reported on the balance sheet. For the balances in question, most are long-term in nature where funding is generally made available in the year payments are anticipated. These Unfunded Liabilities consist of amounts reported on the Balance Sheet for fiscal years 2000 and 1999, under the captions: Workers' Compensation Actuarial Liability, Other Intragovernmental Liabilities, Annual Leave Liability, Environmental and Disposals, and Other

Liabilities. In addition, balances reported as Intragovernmental Debt for fiscal years 2000 and 1999, include unfunded balances totaling \$122 million and \$141 million, respectively. Certain other balances reported in the Balance Sheet under the captions: Deposit Fund Liability, and Earnings Payable to Treasury, as well as amounts shown as Deposits Held in Suspense in Note 9, while unfunded by definition, will be liquidated from resources outside of the traditional funding process.

## 11. NON-ENTITY ASSETS

As of September 30, 2000, certain amounts reported on the balance sheet are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1.A). These balances consisted of the following (dollars in millions):

	2000	1999
Funds with U.S. Treasury	\$ 90	\$ 88
Accounts Receivable – Public	3	1
Prepaid Expenses – Federal	3	14
Total	\$ 96	\$ 103

## REQUIRED SUPPLEMENTARY INFORMATION

### Deferred Maintenance

As of the end of fiscal year 2000, GSA had no material amounts of deferred maintenance cost to report. GSA administers the Building Maintenance Management Program that, on an ongoing basis, maintains the Building Class inventory in acceptable condition, as defined by GSA management. GSA utilizes a condition assessment survey methodology, applied at the overall portfolio level, for determining reportable levels of deferred maintenance. Under this methodology, GSA defines “acceptable condition” and “acceptable level of service” in terms of certain National Performance Measures, formulated under the provisions of the Government Performance and Results Act of 1993.

GSA expenses normal repair and maintenance costs as incurred. Although GSA has no substantive backlog of deferred maintenance tasks, the average building in the GSA inventory is 45 years old, and only 25 percent of these buildings have had extensive modernization. This has led to a large inventory of capital Repair and Alteration (R&A) work items of which approximately \$3.4 billion has not yet been addressed by an ongoing PBS R&A project. For fiscal year 2001, GSA has requested new obligational authority of approximately \$721 million for the R&A program.

### Intra-Governmental Balances

For fiscal year 2000, the following schedule identifies major customers of GSA's Intra-governmental revolving funds and the associated amount of sales representing over 80 percent of GSA's total consolidated revenues (dollars in millions):

Agency	Amount
Department of the Army	\$ 1,854
Department of the Air Force	1,391
Department of the Navy	1,390
Department of Justice	1,356
Department of the Treasury	1,183
Judiciary	782
Department of Defense	533
Social Security Administration	530
Dept. of Health and Human Services	481
Department of Commerce	469
Department of the Interior	453
Department of Agriculture	425
Environmental Protection Agency	355
Department of Transportation	305
Total	\$ 11,507

The following schedule reflects accounts receivable balances owed to GSA as of September 30, 2000, from the major customers of GSA's Intra-governmental revolving funds, representing over 80 percent of GSA's total consolidated accounts receivable (dollars in millions):

Agency	Amount
Department of the Navy	\$ 364
Department of the Army	343
Department of Defense	321
Department of the Air Force	232
Department of Justice	53
Department of the Treasury	38
District of Columbia	34
Dept. of Health and Human Services	34
Corps of Engineers	32
Judiciary	30
Department of the Interior	24
Department of Agriculture	24
Department of Energy	23
Department of State	23
Department of Transportation	21
Department of Commerce	20
Total	\$ 1,616

GSA reported \$3,400 million of intra-governmental liabilities on its Balance Sheet as of September 30, 2000. Of that balance, the significant elements comprising over 80 percent of the total included borrowings from the Department of the Treasury—\$2,463 million (see note 3); Workers' Compensation liabilities administered by the Department of Labor—\$211 million; and Judgment Fund reimbursements due the Department of the Treasury—\$128 million.

## Supplemental Consolidating Statements of Operations

For the Fiscal Years Ended September 30, 2000 and 1999

<i>(DOLLARS IN MILLIONS)</i>	Federal Buildings Fund		General Supply Fund		Information Technology Fund	
	2000	1999	2000	1999	2000	1999
Operating Revenues (Note 1):						
Building Rents and Services	\$ 6,668	\$ 6,321	\$ -	\$ -	\$ -	\$ -
Sales of Supplies	-	-	1,574	1,742	-	-
Information Technology Services	-	-	-	-	4,986	4,178
Motor Vehicle Services	-	-	953	908	-	-
Reimbursements	-	-	-	-	-	-
Other	7	36	212	156	26	-
Total Operating Revenues	6,675	6,357	2,739	2,806	5,012	4,178
Expenses (Note 1):						
Cost of Supply Sales	-	-	1,322	1,468	-	-
Personnel Salaries and Benefits	481	460	220	210	127	111
Rent	2,905	2,648	44	47	13	12
Information Technology	-	-	-	-	4,840	4,011
Motor Vehicles	-	-	373	368	-	-
Contracted Services	1,459	1,491	109	93	-	-
Depreciation and Amortization	804	759	265	243	27	25
Utilities	264	255	-	-	-	-
Operating Supplies	55	62	162	121	3	5
Interest	198	203	-	-	1	-
Travel and Transportation	24	23	6	6	6	5
Shipping Expenses	-	-	54	52	-	-
Workers' Compensation Actuarial Expense (Note 1-J)	8	6	2	1	1	-
Other Expenses	108	45	56	19	61	4
Total Operating Expenses	6,306	5,952	2,613	2,628	5,079	4,173
Net Income From (Cost of) Operations	369	405	126	178	(67)	5
Other Results of Operations:						
Appropriations Used (Note 1-C)	-	450	-	-	-	-
Non-Exchange Revenue (Note 1-C, 1-G)	-	-	-	-	-	-
Imputed Financing Provided By Others	51	51	25	25	12	11
Transfers of Assets and Liabilities, Net	(5)	35	17	17	-	-
Transfers and Reclassifications of Earnings	-	-	-	(4)	-	-
Other	1	(1)	-	-	-	-
Net Results of Operations	\$ 416	\$ 940	\$ 168	\$ 216	\$ (55)	\$ 16

GSA Consolidated Totals

Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals			
2000	1999	2000	1999	2000		1999	
				Amount	% of Revenues	Amount	% of Revenues
\$ -	\$ -	\$ 83	\$ 83	\$ 6,585	46.3%	\$ 6,238	47.3 %
-	-	24	32	1,550	10.9	1,710	13.0
-	-	117	78	4,869	34.2	4,100	31.1
-	-	8	7	945	6.6	901	6.8
234	213	217	170	17	0.1	43	0.3
11	12	-	-	256	1.8	204	1.5
245	225	449	370	14,222	100.0	13,196	100.0
-	-	24	32	1,298	9.1	1,436	10.9
217	207	-	-	1,045	7.3	988	7.5
25	25	83	83	2,904	20.4	2,649	20.1
-	-	117	78	4,723	33.2	3,933	29.8
-	-	8	7	365	2.6	361	2.7
226	183	238	188	1,556	10.9	1,579	12.0
6	3	-	-	1,102	7.7	1,030	7.8
-	-	-	-	264	1.9	255	1.9
2	4	-	-	222	1.6	192	1.4
1	-	-	-	200	1.4	203	1.5
7	8	-	-	43	0.3	42	0.3
-	-	-	-	54	0.4	52	0.4
-	1	-	-	11	0.1	8	0.1
19	(117)	17	19	227	1.6	(68)	(0.5)
503	314	487	407	14,014	98.5	12,660	95.9
(258)	(89)	(38)	(37)	208	1.5	536	4.1
209	187	-	-	209	1.5	637	4.8
36	62	-	-	36	0.3	62	0.5
15	19	38	37	65	0.5	69	0.5
6	(39)	-	-	18	0.1	13	0.1
(33)	(68)	-	-	(33)	(0.2)	(72)	(0.6)
1	9	-	-	2	0.0	8	0.1
\$ (24)	\$ 81	\$ -	\$ -	\$ 505	3.6 %	\$ 1,253	9.5 %

## Supplemental Consolidating Statements of Cash Flows

For the Fiscal Years Ended September 30, 2000 and 1999

<i>(DOLLARS IN MILLIONS)</i>	Federal Buildings Fund		General Supply Fund	
	2000	1999	2000	1999
<b>Cash Flows from Operating Activities:</b>				
Net Income From (Cost of) Operations	\$ 369	\$ 405	\$ 126	\$ 178
Adjustments to Net Income From (Cost of) Operations -				
Depreciation and Amortization	804	759	265	243
Non-Exchange Revenues	-	-	-	-
Other Adjustments and Write-offs	27	4	7	2
(Gain) Loss on Disposal of Equipment	-	(20)	19	8
Changes in Current Assets and Liabilities -				
(Increase)/Decrease				
Accounts Receivable, Net	9	117	(3)	28
Inventories	1	-	(9)	12
Prepaid Expenses and Advances to Others	(5)	-	11	3
Increase/(Decrease)				
Accounts Payable and Accrued Expenses	(36)	72	(12)	(17)
Deposit Fund Liability	-	-	-	-
Deferred Revenue and Advances From Others	9	(10)	8	2
Other Liabilities	(35)	36	5	(3)
Total Adjustments	774	958	291	278
Net Cash Provided by (Used in) Operating Activities	1,143	1,363	417	456
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Sales of Property and Equipment	-	34	202	208
Payments Received from Notes Receivable, Net	-	3	-	-
Capital Expenditures	(1,074)	(1,175)	(635)	(616)
Other	4	(2)	1	(1)
Net Cash (Used in) Provided by Investing Activities	(1,070)	(1,140)	(432)	(409)
<b>Cash Flows from Financing Activities:</b>				
Principal Payments Under Capital Lease Obligations	(7)	(6)	-	-
Additional Appropriated Capital, Net	-	466	-	-
Principal Payments on Long-Term Debt	(124)	(115)	-	-
Financing Sources Provided By Others	51	51	25	25
Receipts Transferred Out, Net	-	-	-	(4)
Net Cash Provided by (Used in) Financing Activities	(80)	396	25	21
Net Increase (Decrease) in Funds with U.S. Treasury	(7)	619	10	68
Funds with U.S. Treasury at Beginning of Year	3,385	2,766	380	312
Funds with U.S. Treasury at End of Year	\$ 3,378	\$ 3,385	\$ 390	\$ 380
<b>Supplemental Disclosure of Cash Flow Information:</b>				
Total Interest Paid	\$ 180	\$ 203	\$ -	\$ -
<b>Supplemental Schedule of Financing and Investing Activities:</b>				
Property and Equipment Acquired Under Capital Lease Obligations	\$ 36	\$ 3	\$ -	\$ -
Property Acquired Under Long-Term Financing Arrangements	\$ 6	\$ 26	\$ -	\$ -

Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
2000	1999	2000	1999	2000	1999	2000	1999
\$ (67)	\$ 5	\$ (258)	\$ (89)	\$ (38)	\$ (37)	\$ 208	\$ 536
27	25	6	3	-	-	1,102	1,030
-	-	36	62	-	-	36	62
7	1	-	-	-	-	41	7
28	-	-	-	-	-	47	(12)
(372)	(58)	1	18	(5)	848	(360)	(743)
2	(1)	-	-	-	-	(6)	11
(4)	1	11	(12)	(11)	-	24	(8)
322	(66)	(13)	9	5	(21)	256	19
-	-	(1)	(6)	-	-	(1)	(6)
54	97	12	1	11	-	72	90
5	(22)	10	(146)	-	(827)	(15)	692
69	(23)	62	(71)	-	-	1,196	1,142
2	(18)	(196)	(160)	(38)	(37)	1,404	1,678
26	-	-	-	-	-	228	242
-	-	1	-	-	-	1	3
(19)	(28)	(2)	(8)	-	-	(1,730)	(1,827)
(4)	(1)	(10)	1	-	-	(9)	(3)
3	(29)	(11)	(7)	-	-	(1,510)	(1,585)
-	-	-	-	-	-	(7)	(6)
-	-	198	229	-	-	198	695
-	-	(6)	-	-	-	(130)	(115)
12	11	19	19	38	37	69	69
-	-	(27)	(46)	-	-	(27)	(50)
12	11	184	202	38	37	103	593
17	(36)	(23)	35	-	-	(3)	686
43	79	420	385	-	-	4,228	3,542
\$ 60	\$ 43	\$ 397	\$ 420	\$ -	\$ -	\$ 4,225	\$ 4,228
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180	\$ 203
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36	\$ 3
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 26

# Supplemental Information

# Federal Managers' Financial Integrity Act Report

January 11, 2001

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

I am pleased to report that the General Services Administration's (GSA's) management control and financial management systems, taken as a whole, provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA), Section 2 and Section 4 are being achieved. The content of the enclosed FMFIA report is based on information provided by GSA's managers, as well as on advice provided by the agency's Management Control Oversight Council (MCOC). It is also based on the results of the audit of GSA's Financial Statements, which produced an unqualified opinion for the 13th consecutive year.

Managers have evaluated their programs and have attested that their management controls comply with the Office of Management and Budget's (OMB) Circular A-123, *Management Accountability and Control*. The responsible systems managers and financial management officials have evaluated GSA's financial management systems in accordance with OMB Circular A-127, Financial Management Systems.

During FY 2000, management control issues surfaced from a variety of sources. The MCOC, under the chairmanship of the Deputy Administrator, examined a wide range of management issues that were brought to its attention. The Inspector General, in his role as an advisory member of the MCOC, continues to provide useful, constructive suggestions for improving the agency's management control and financial management policies and practices.

During the past year, corrective actions were completed to correct a prior-year system non-conformance relating to automated information systems security controls for three GSA Federal Supply Service (FSS) systems and their associated IT systems environment.

The plans and actions to correct our five material weaknesses and two remaining systems non-conformances are addressed in the enclosure to this letter. I consider none of the weaknesses reported as critical to the performance of the agency's missions.

Respectfully,



Thurman M. Davis, Sr.  
*Acting Administrator*

Enclosure

## A. STATISTICAL SUMMARY OF PERFORMANCE

### Section 2, Internal Control Systems

	Number of Material Weaknesses		
	Number reported for the first time	For that year, number that have been corrected	For that year, number still pending
Prior Years	46	44	2
1996 Report	1	0	1
1997 Report	2	1	1
1998 Report	1	0	1
1999 Report	0	0	0
2000 Report	0	0	0
Total	50	45	5

*Of the total number corrected, how many were corrected in 2000? 0*

### Section 4, Financial Management Systems

	Number of Non-conformances		
	Number reported for the first time	For that year, number that have been corrected	For that year, number still pending
Prior Years	8	8	0
1996 Report	0	0	0
1997 Report	1	1	0
1998 Report	2	2	0
1999 Report	2	0	2
2000 Report	0	0	0
Total	13	11	2

*Of the total number corrected, how many were corrected in 2000? 1*

## B. MATERIAL CONTROL WEAKNESSES

Material Weakness	Calendar Year First Reported	Target Date for Correction in FY 1999 Report	Current Target for Correction
GSA/FPS Control Centers	1995	2000	2001
Level of Federal Protective Police Officers	1995	2000	2001
Multiple Award Schedule Program	1996	2000	2002
Rent Revenue Shortage	1997	2000	2001
Security Enhancements in Federal Buildings	1998	1999	2001

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## GSA/Federal Protective Service (FPS) Control Centers

A study conducted in FY 1995 disclosed significant risks related to the GSA/FPS control centers. The study indicated that, due to budgetary and personnel constraints accumulating over more than a decade, the control centers have been degraded to a point at which various systems are functioning, but raise risk and liability concerns about their ability to provide an acceptable, efficient, and effective level of performance. The initial plan was to upgrade all regional control centers with state-of-the-art equipment; however, to gain economies of scale, the project has been redirected to consolidate some control centers into mega-centers and establish regional dispatch centers.

Final transfer of alarm accounts and telecommunication networks for Regions 4, 5, and 6, is scheduled for June 2001. A detailed review will be performed by September 2001 to ensure that the actions taken are producing the intended positive results.

## Level Of Federal Protective Police Officers

A material weakness in the Law Enforcement Program relates to the level of Federal Protective Police Officers (FPPOs). As of September 1995, the level of FPPOs was 401. This figure did not meet the requirements that existed at the

time for Section 10 of the General Provisions of Public Law 100-440, which stated, "The Administrator of the General Services is authorized and directed to hire up to and maintain an annual average of not less than 1,000 (fulltime equivalent) positions for Federal Protective Police Officers." Congress repealed the 1,000 FPPO level requirement under Public Law 105-61, signed by the President on October 10, 1997.

GSA has developed a resource allocation model that established the proper level of FPPOs at 724. As of July 1, 2000, the number of FPPOs on board was 547. The GSA Federal Protective Service (FPS) has established a new uniformed position, for which 71 positions have been filled. While there has been an increase in the number of on-board uniformed personnel, there has been a decline in the number of FPPOs. In recognition of this, FPS has taken a proactive stance and is developing a recruitment package that will extend our hiring efforts for uniformed officers outside of the agency and provide added incentives for employment within this agency. Therefore, the new projected completion date is March 2001.

## Multiple Award Schedule Program

Federal agencies collectively acquire goods and services valued at billions of dollars annually through Multiple Award Schedule

(MAS) contracts. The MAS program has several problems, which were identified by agency management and cited in General Accounting Office (GAO) and GSA Office of Inspector General (OIG) audits. First, the information that GSA receives from vendors to evaluate prices offered to the Government is not always accurate, current and complete. Second, the heavy workload in the MAS program may adversely affect the ability of contracting officers to award the most favorable prices for the Government. Third, agencies that use the MAS program may not always comply with applicable ordering procedures.

In previous years, this material weakness was reported as a high-risk area, because the solutions necessitated the involvement of the Office of Management and Budget and, perhaps, the Congress. Also, the Federal Acquisition Streamlining Act significantly altered the conduct of Federal procurement. Implementation of this law continues to be evaluated as to the effect on the MAS program.

Other major milestones call for GSA to implement several contract automation data actions. These include implementing a Contract Modification Audit Trail within the FSS-Online system and an Offer Registration System within FSS-Online by March 2002 and preparing a revised action plan to establish goals by June 2002.

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### GSA Public Buildings Service (PBS) Rent Revenue Shortage

Actual Federal Buildings Fund rent revenues for FY 1996 and FY 1997 were \$680.5 million less than the amount needed to fund spending authorities provided by the Congress. Immediate action was taken to identify and correct the weakness in revenue projection methodologies and procedures. As a result, GSA notified the Congress in July 1999 of its revised income estimates for FY 1997 and FY 1998. GSA continues to work to improve its income projection and collection systems and is streamlining both these processes and the lines of accountability for them. PBS adopted a new billing system—the System for Tracking and Administering Real Property (STAR)—with the implementation of a new billing module in June 1998. A budget-estimate module was implemented on line in May 2000 and a rent-forecasting module is due on line by September 2001.

### Security Enhancements in Federal Buildings

Improvements are needed in GSA's implementation of security equipment and structural enhancements recommended by the Building Security Committees. The lack of programmatic controls and approaches resulted in concerns over the implementation and reported status of security countermeasures and the use of designated security upgrade funds

for projects that: (1) did not involve a Committee-recommended countermeasure, and (2) lacked Central Office approval. Since this material weakness was identified in FY 1998, GSA has taken a number of steps to implement security countermeasures and accurately report their costs. All corrective actions are due to be completed by June 2001.

### C. SYSTEMS NON-CONFORMANCES

As required by Section 4 of the FMFIA and the Federal Financial Management Improvement Act, GSA conducts an annual evaluation to determine whether its financial management systems comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

Based on all review work performed, the following two reportable non-conformances were noted.

#### Entity-wide System Security Management and Management Oversight

During the past three years, a review of several significant GSA financial management system applications disclosed control weaknesses relating to logical and physical access, access monitoring and follow up, security awareness, and related IT security program

implementation and oversight. In the absence of such controls and oversight systems, IT system resources remain susceptible to unauthorized access, modification or undue risk.

During 2000, significant progress was made to complete and issue a comprehensive IT security policy for GSA, establish a Center of Information Technology Expertise, and provide IT security training for Information System Security Officers and Security Managers. However, additional remediation actions are still needed to more fully address this condition.

The Office of the Chief Information Officer (CIO) will take additional and more aggressive actions to further strengthen our enterprise security management and oversight. Specifically, the actions will be to:

- Establish requirements for Services and Staff Offices to resolve all IT security vulnerabilities detected by IT security audits and reviews within the minimum amount of time necessary. Completion date March 2001.
- Monitor action plans closely and provide statistical aging reports regarding completion of actions monthly.
- Continue to provide or recommend appropriate training for key IT security personnel with the agency.

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Once all planned actions are completed, we believe that this condition will be corrected by November 2001.

#### Improved Controls Needed for Systems Development and Implementation Processes

During three of the past four years, a review of several GSA systems disclosed that better controls were needed relating to systems development and implementation processes within the agency. Specific improvements relate to the need to establish and enforce more uniform policies and procedures relating to application development, implementation and change control.

To address this condition, the CIO plans to:

- Assess and report quarterly on how well the Services and Staff Offices follow GSA application development policies and procedures.
- Ensure that a mechanism to enforce the established procedures across the entire agency exists by June 2001.

CIO management is currently reviewing the existing systems development policies and procedures to determine changes necessary to strengthen and improve our agency-wide policies and procedures. When this review process is complete, management will develop and document

additional policies and procedures that all Service and Staff Offices shall follow when creating or changing applications. The GSA CIO has also hired a Chief Technology Officer with direct responsibility for developing an agency-wide IT systems architecture that will strengthen the planning, configuration and change management processes. Management will develop mechanisms for ensuring that all Service and Staff Offices follow the policies and procedures.

Once all planned actions are completed, we believe that this condition will be corrected by November 2001.

#### Actions Completed To Remediate 1997 System Non-conformance

During 2000, all planned remediation actions were completed by FSS management to improve security controls for three FSS systems. This condition had previously been reported as a system non-conformance since FY 1997.

Actions completed by FSS to improve IT systems security for their systems included the development of security plans, the conduct of system risk assessments and the completion of a System Test and Evaluations (ST&E) for each of these three systems. In addition, FSS completed related actions to certify

and accredit the data center that supported the latter three FSS applications, and enhance various access controls pertaining to all of their systems. All remediation actions pertaining to the previously reported FSS system non-conformance were completed by June 30, 2000.

#### D. SUMMARY OF ADDITIONAL ISSUES

Identified below are five issues that surfaced during FY 2000 which merit disclosure in this year's FMFIA report. However, these issues were not considered by GSA's Management Control Oversight Council to be material weaknesses.

##### Contract Guard Program

The OIG identified a number of problems that potentially compromise the safety and protection of Federal employees. These included guards on duty without valid background suitability determinations, guards lacking training to perform their duties, and armed guards on post without valid firearm qualifications. Corrective actions have been initiated to address the concerns raised in the audit report. Completed actions include issuance of instructions and policy to regional management for the establishment of controls to address the report's recommendations.

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## Repairs and Alterations Program

The GAO concluded that PBS has made little progress in improving controls in the Repairs and Alterations Program since 1991, when GAO last reported on it. Specifically, funding limitations, inadequate program data, and the lack of a strategic approach for meeting repair and alteration requirements are factors that impede GSA's ability to satisfy the multi-billion dollar repair and alteration needs of Federal buildings. The OIG has also consistently identified the deteriorating condition of Federal buildings and GSA's ability to provide quality workspace as a top management challenge.

GSA has several initiatives underway to address these problems. GSA has selected a software package that each region will use to assess and record the condition of each owned asset and estimate the cost of repairs. The information will then be incorporated into the present inventory repair and information system and asset business plans. GSA is also developing a 3- to 5-year investment outlook to incorporate client mission needs, market data, and repair and alteration needs from asset business plans and regional portfolio plans.

## Critical Infrastructure Protection Plan

The OIG noted that the effort to improve security for critical assets

and cyber-based infrastructures has fallen short in GSA. Only half of the cyber-based systems identified as mission-critical have been included in GSA's Critical Infrastructure Protection Plan (CIPP). Furthermore, vulnerability assessments of only 3 of the 52 systems in the CIPP have been completed. The audit report did not contain any recommendations to GSA; however, the CIO in his assurance letter stated that GSA is working to resolve the issues identified and is taking a stronger leadership role to continuously strengthen the management controls over programs.

## Multiple Award - Indefinite Delivery Indefinite Quantity Contracts

The OIG issued several audit reports covering the use of multiple award Indefinite Delivery Indefinite Quantity (IDIQ) contracts in all three services—the GSA Federal Supply Service (FSS), the GSA Federal Technology Service (FTS) and PBS. One common area of concern the OIG found relates to insuring that delivery orders placed under these contract vehicles meet the requirements for competition.

Within FSS, the OIG found that 19 of 29 delivery orders did not have adequate documentation to insure that the requesting agencies had provided vendors an opportunity to compete. Within FTS, the OIG concluded that FTS must advance the concepts of fair opportunity and

best value by moving to performance-based task order deliverables with price incentives. The OIG's review of PBS IDIQ contracts found that the Government might not be receiving the quality and economies that could be achieved through maximizing the use of multiple award contracts.

GSA has either initiated corrective action or is currently in the process of developing corrective action plans for all of the recommendations identified in the OIG reports.

## Controls over the Integrity of Rent Data

The OIG has become increasingly concerned about the reliability of data in the information systems used by management. PricewaterhouseCoopers (PwC) identified this issue in both FY 1999 and 2000, noting that a reportable condition exists regarding controls over the integrity of rent data used to manage the Federal Buildings Fund.

PBS is working to further enhance management and financial systems. PBS has identified some areas of concern that need resolution. During FY 2000, corrective actions were initiated to begin to address these concerns with internal teams developing action plans, implementing system enhancements, and validating system's data.

# Inspector General's Report on Management Challenges



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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November 30, 2000

MEMORANDUM FOR DAVID J. BARRAM  
ADMINISTRATOR (A)

FROM: WILLIAM R. BARTON  
INSPECTOR GENERAL (J)

A handwritten signature in black ink that reads "William R. Barton".

SUBJECT: GSA's Most Serious Challenges

Attached is a copy of my office's updated assessment of the most serious challenges currently facing GSA. This reassessment was prepared in response to a joint request from Senator Fred Thompson, Chairman, Senate Governmental Affairs Committee; Senator Pete Domenici, Chairman, Senate Budget Committee; Congressman Richard K. Armey, House Majority Leader; Congressman Dan Burton, Chairman, House Government Reform Committee; and Congressman John R. Kasich, Chairman, House Budget Committee.

In addition, the recently-enacted Reports Consolidation Act of 2000, S. 2712, requires that Offices of Inspectors General (OIG) prepare, as part of agency Accountability Reports, a statement summarizing "what the inspector general considers to be the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges." The Act requires that OIGs provide agency heads with the assessment 30 days before the due date of the Accountability Report.

The Chief Financial Officer has set a goal of forwarding the Accountability Report to OMB by January 17, 2001. We are hereby providing you with our assessment to afford you the opportunity to review and prepare any comments you wish to incorporate in the Report.

If you have any questions or wish to discuss this, I would be happy to meet with you.

Attachment

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## UPDATED ASSESSMENT OF GSA'S MOST SERIOUS CHALLENGES

This document presents the Office of Inspector General's most recent assessment of the six general issues that we believe present major challenges to GSA management. We have included descriptions of each issue, accompanied by pertinent references to related audit activities, as well as actions taken by management as a result of the audit recommendations. We do not have any information that would suggest specific GSA programs may not be achieving their goals.

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### MANAGEMENT CONTROLS

#### Issue

Multiple management controls have been replaced, through reinvention initiatives, by fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed.

GSA has been aggressive in empowering staff to look for ways to reduce administrative barriers to promptly respond to customer needs. In simplifying existing rules, operating procedures, and guidelines, management eliminated many of the checks and balances previously part of the control system, and now relies on a few broad controls for documentation and review of actions taken. From recent audits performed, it appears that management is not adequately ensuring implementation of the controls that will help deter fraud, waste and abuse.

#### Procurement

Management has been emphasizing the use of credit cards as a means of streamlining the

procurement process. Individuals can charge any amount up to their spending authority. A warranted contracting officer may have a single purchase transaction limit for the credit card corresponding to the level of that person's purchasing authority of up to \$100,000. The majority of transactions are by non-warranted persons at the micro-purchase level of \$2,500 or less. The Agency encouragement to use credit cards whenever possible significantly heightens the importance of adequate controls for credit card transactions.

The Agency has been empowering staff to reduce administrative barriers to promptly respond to customers' needs, regardless of the method of procurement. Concerns encompass whether speedy procurement is being attained at the expense of appropriate regulatory requirements and good internal controls, and whether GSA is getting the best price. These concerns take on more significance when considering that GSA has a direct impact on over \$52 billion of direct Federal purchases annually.

#### Data Integrity

When passing the Government Performance and Results Act of 1993, Congress emphasized that the usefulness of agencies' performance data depends, to a large degree, on the reliability and validity of those data. Past audit work has shown that data integrity has been problematic within GSA's financial and operational data systems.

GAO issued a letter to Senator Fred Thompson on June 30, 2000 concerning its *Observations on the General Services Administration's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan*. In that letter, GAO pointed out that GSA did not provide, in its performance report, reasonable assurance that its performance information was credible. GAO found that PBS and FTS addressed data quality issues, but neither attested to the overall credibility of the data used to measure results. GAO went on to say that FSS and OGP did not directly address data credibility. In March 2000, GAO issued a report that said, among

other things, that GSA's repair and alteration data were problematic.

GAO testified in June 1998 that GSA's security upgrade tracking system had incorrect data, and in October 1999 testified that GSA's information system still lacked completely accurate data on the number and cost of completed security upgrades. Our own work in this area corroborated GAO's statements.

#### OIG Work Done

In our *Review of the Phoenix Fleet Management Center, Federal Supply Service, Pacific Rim Region*, report dated September 29, 2000, we found that improvements were needed to protect fleet service cards from misuse, to ensure destruction of license plates from vehicles removed from service, and to have a more efficient use of purchase cards.

The *Audit of PBS's Management of Building Account Activities* report dated September 15, 2000 showed that in cases where the Agency cannot readily assign costs to a specific building, it uses holding accounts to capture these costs in the accounting system. We found that entries were incorrectly posted to these holding accounts and were not distributed to the appropriate accounts. Thus, controls do not ensure that management decisions are based on sound financial information.

Our *Management Control Review of Public Buildings Service Office of Property Disposal, Controls Over Proceeds From the Sale of Surplus Real Property*, report dated August 21, 2000, showed that the Office of Property Disposal cannot be assured that transactions are properly recorded and Government assets are adequately protected. Controls over transaction recording, documentation, separation of duties, access to and accountability for resources, and employee supervision are deficient.

On January 28, 2000, we issued *Review of Controls Over Federal Supply Service Payments*. We found that management controls over purchases made using GSA's purchase card are not adequate to provide reasonable assurance that payments are for valid purchases. We also noted that, in GSA's current management control environment, payment can be made more than once for the same purchase.

On September 28, 1999, we issued *Management Controls for Non-Recurring Reimbursable Work Authorizations*. This was a follow-on audit to our review of *PBS's Initiatives to Improve Space Alterations*, a report dated March 24, 1999, in which we identified specific reasons for untimely and inaccurate customer billings, and GSA's inability to recover some of its costs. We found that regional management in PBS had not

consistently recorded or reconciled transactional data, and was not consistently reviewing available performance data that identified red flags.

Our review of *PBS Operations and Maintenance Contracts*, dated September 7, 1999, showed that controls are not adequate to assure that the services GSA pays for are received and are needed. This is a nationwide problem, based on our review of four regions.

#### INFORMATION TECHNOLOGY SOLUTIONS

##### Issue

As the application of information technology (IT) becomes increasingly prevalent within the Government and impacts all aspects of business operations, GSA's challenges in this area have increased exponentially. GSA relies on its automated information systems to perform its mission and manage its operations. Many of these systems store sensitive information such as personal employee data and contractors' proprietary information.

##### Clinger/Cohen Act

The Information Technology Reform Act of 1996 (Clinger/Cohen) changed the way information systems are managed and developed within the Federal Government. Agencies are now required to link all information technology investments to their

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mission through the Capital Planning Process. The Act also requires Federal agencies to appoint a Chief Information Officer (CIO) responsible for developing, maintaining, and implementing an information technology architecture. Information technology architecture ensures that the requirements for an agency's information systems support the agency's overall mission and goals; provide adequate interoperability, redundancy and security; and are consistent with standards by which the agency evaluates and acquires new systems.

In implementing Clinger/Cohen, the GSA CIO faces challenges in coordinating with individual Services to: (1) develop a GSA-wide information technology architecture; (2) ensure that adequate cost-benefit and business-case analysis supports new systems development; (3) monitor each Service's compliance with the GSA-wide information technology architecture; and (4) carry out Clinger/Cohen requirements in performing central management of GSA's information systems.

### Systems Development

GSA is in the process of replacing a number of its old systems, in keeping with technological advances. The National Electronic Accounting and Reporting (NEAR) system, which records, classifies

and summarizes financial information and produces reports on annual, multiple-year and no-year appropriations and revolving funds, is being replaced with Pegasys. The Public Buildings Service is in the process of consolidating a number of systems to improve their functionality under a new client-server based system called the System for Tracking and Administering Real Property (STAR).

Many of the IT projects are designed to go beyond automating current business functions and create real change in the way that GSA does business. However, GSA has experienced recurring difficulty in deploying and maintaining structured system development practices that ensure the proper development of requirements as well as implementation of prescribed system processes through approved systems development life cycles. As a result, GSA systems development projects commonly experience schedule delays and cost overruns, need frequent redesign, have difficulty sharing usable data between systems, and spend a prolonged period of time in development. In conjunction with the Agency's financial statement audits performed by an independent public accounting firm (IPA), three recently implemented applications, ITOMS, STAR, and FEDPAY Version 3 were reviewed. Development and implementation weaknesses

associated with each of these applications were identified. These were cited as a reportable condition in the IPA's FY 1999 Management Letter and will again be cited in the FY 2000 Management Letter as a reportable condition.

### COTS Solutions

Many GSA IT projects attempt to minimize development cost and deployment schedules by developing systems based on already existing Commercial-Off-The-Shelf (COTS) software. COTS solutions appear to offer agencies the ability to forgo lengthy development of core system functionality, and the ability to adhere to industry information processing standards. However, the majority of COTS solutions: (1) require extensive modifications to meet Federal agency needs; (2) provide only a partial solution; and (3) require interfaces with existing systems that are difficult to implement. To that end, several OIG audits, including audits of STAR and Pegasys, showed that GSA COTS development efforts lacked a formal risk management program that would help identify challenges associated with extensively modifying and integrating COTS products with many custom legacy systems, as well as potential solutions to mitigate those risks.

In light of the challenges and complexity of successfully modifying and integrating COTS software packages into GSA's

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current legacy systems environment, GSA needs to more effectively identify and manage development challenges. Because no COTS product is specifically designed to meet requirements unique to an individual agency's needs, it is imperative that organizations fully understand the requirements "gap" well before implementation begins and ensure that this gap can be accepted by the organization without reducing performance. Later addition of modifying capabilities initially thought to be included in the COTS product often requires expensive custom development and usually results in cost and schedule overruns. The implementation of structured, verifiable systems development and configuration management activities would have a significant impact in reducing schedule delays, cost overruns, and the number of redesigns.

### Information Technology Security

Good IT security practices are increasingly important in today's business environment as GSA interconnects its systems with networks such as the INTERNET AND INTRANET, which significantly increase security risks. Further, system security plans and features are needed to protect Government IT resources against unauthorized access, to restrict access by users and systems personnel, and to guard against

accidental modification or deletion of data applications. GSA's computer-based critical infrastructure area is also at increasing risk due to threats such as computer hackers, other attempts at unauthorized access, and viruses. GSA needs to ensure that complete risk assessments are developed to evaluate vulnerabilities and determine what security is needed.

The most effective way to protect information and systems is to incorporate security into the architecture of each system. This approach ensures that security supports agency business operations, thus facilitating those operations, and that plans to fund and manage security are built into life-cycle budgets for information systems. Management must ensure that critical IT infrastructure is identified and that adequate security is in place to protect business operations that rely on it.

GSA's independent public accounting firm did penetration testing during FY 1998, FY 1999, and FY 2000, and found control weaknesses over both the physical and logical access to GSA's financial systems. These weaknesses constituted a reportable condition in the FY 1998 and FY 1999 Management Letters and will be reported again in the FY 2000 Management Letter.

### Contractor Performance

With decreasing staff levels and increased specialization within the field of IT, GSA increasingly relies on contractors to perform the entire range of its IT tasks, including development, testing, maintenance and administration. Sound project management practices are essential to (1) ensure that contractor-performed IT efforts fully support GSA's vision of an Integrated Information Architecture and meet mission critical information system needs, and (2) assess vendor-completion of tasks. Control mechanisms are essential to ensure that contractor developed solutions function properly.

### OIG Work Done

Our *Review of GSA's Critical Infrastructure Protection Plan*, report dated September 29, 2000, disclosed that GSA has not yet successfully implemented the requirements of Presidential Decision Directive 63 in its Critical Infrastructure Protection Plan. The Chief Infrastructure Assurance Officer has not been fully empowered to direct Information technology security policies and procedures necessary to implement the Plan. Additionally, vulnerability assessments and risk mitigation plans for GSA's mission critical information systems have not been developed. This report contained no formal recommendations.

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Our September 29, 2000, *Alert Report on GSA's Implementation of the New Pegasys Financial Management System* disclosed that inadequate planning and testing led to a significant lack of progress in implementing the Pegasys system. Since 1999, the Pegasys development schedule has grown from 3 to 6 years, and estimated total development and life cycle costs have increased from \$34 million to \$135 million. To date, approximately \$39 million has already been obligated with only part of Phase 1 of 4 currently planned phases operational. This report contained no formal recommendations.

In our *Systems Audit of Integrated Task Order Management System, Federal Technology Service*, report dated September 18, 2000, we found that the scope and functionality of the system have evolved rather than being defined as a part of system development life cycle processes. Inadequate testing has caused processing delays and inaccurate financial records, which may adversely affect GSA, client agencies and industry partners.

Our *Review of Smart Card Initiatives*, report dated September 11, 2000, revealed that, while emphasizing the award of the Government-wide contract for acquiring smart card services, GSA neglected its own card implementation.

We issued *PBS Needs to Complete STAR Development and Implement Management and System Controls to Fully Realize Improved Capabilities* on March 31, 2000. This report disclosed that despite being operational since October 1997, development is still on-going and significant modifications are needed to respond to numerous user concerns, resolve software problems, and provide additional key capabilities. Additionally, as a result of difficulties in implementing system control processes, weaknesses exist in configuration management, testing, database and system administration, and system security.

Our report of September 30, 1999, *Audit of GSA's Security Controls Over Local Area Networks*, cited weaknesses in access controls and configuration management.

Our September 25, 1998 report, *GSA's Information Systems Security Has Not Kept Pace With Increasing Internet and Intranet Risks*, disclosed that security resources are dispersed and controls are lacking. Additionally, risk assessments are needed to ensure controls applied are adequate, and GSA is lacking policies and procedures on IT security to adequately manage the development of Internet and Intranet capabilities.

## PROCUREMENT ACTIVITIES Issue

GSA provides Federal agencies with products and services valued in the billions through various types of contracts, two of the most prevalent types being the Multiple Award Schedule (MAS) Program and the multiple award task and delivery order contracts, also known as Multiple Award Indefinite Delivery Indefinite Quantity Contracts (MACs).

The MAS Program provides Federal agencies with a simplified procurement process for the purchase of a diverse range of commercial supplies and services from multiple vendors. GSA administers over 110 schedules that produced sales in FY 2000 alone of \$13.8 billion; and the volume is expected to continue to grow.

The MAS Program was modified in August 1997, in part to implement the Federal Acquisition Streamlining Act (FASA) and the Clinger/Cohen Act. These changes eliminated both vendor certifications of pricing information submitted for negotiation purposes and the contractual right to audit such pricing information on a post award basis. Prior OIG MAS contract audits reflected systemic problems with MAS contractors' submissions of reliable pricing information for purposes of negotiating MAS contract prices. These findings were made during

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periods when safeguards, including audits and certifications, were still in place. Elimination of these safeguards will likely lead to similar, if not more serious, findings.

GSA's Federal Supply Service (FSS) made additional changes to the MAS Program that now permits contracting officers to extend existing 5-year MAS contracts for an additional 5-year period when vendors provide assurances of price reasonableness and assurances that their pricing practices have not changed since contract negotiation. FSS has been making 5-year extensions routinely without seeking preaward audits, although significant MAS contract modifications, such as extending the contract term or adding substantial new products to a contract, should be the subject of an audit in accordance with FSS's own Procurement Information Bulletins.

This problem may be exacerbated by FSS's recent institution of an Evergreen contracting program, under which FSS awards MAS contracts for 20-year periods (5-year base contract, plus three 5-year options). With contracts of this length, FSS needs to be particularly vigilant in periodically collecting updated commercial information and auditing that information.

Additionally, in July 2000, FSS initiated Corporate Contracting within the MAS Program. This initiative allows contractors to consolidate some or all of their individual GSA MAS contracts under one contract. The theory is that, through consolidation, there will be administrative cost savings to both GSA and the contractors, and that FSS should also be able to leverage more favorable discounts, terms and conditions due to the larger contract volume. However, it appears that here, too, FSS has made little provision for collecting updated commercial pricing information, with preawards on significant dollar contracts at the time FSS consolidates the individual contracts into a corporate contract. Consequently, FSS may not be able to make an effective price reasonableness determination on the new corporate contract. In addition, FSS may be missing an opportunity to negotiate prices under these contracts that are, in fact, reflective of the Government's total buying power.

Furthermore, the industrial funding mechanism used to support the MAS Program may have an adverse impact on the prices negotiated. FSS charges MAS contractors a one percent (1%) fee on all sales made under the contracts. This mechanism constitutes a structural disincentive for contracting

personnel to negotiate lower prices, or not to award a contract, since doing so would reduce FSS's revenues.

MACs are appropriate when the Government cannot predetermine, above a specified minimum, the precise quantities of supplies or specific services that will be required during the contract period. GSA competitively awards, using source selection procedures, multiple contracts covering the same scope of work and then, as needs are identified for specific tasks and products, the agencies compete the task/delivery orders among the contract holders. The use of multiple award contracts is encouraged by the Federal Acquisition Streamlining Act of 1994 to promote best value and the fair opportunity for contract awardees to compete among themselves. The competition is intended to lower prices, obtain better quality, reduce delivery time, and improve customer service.

#### OIG Work Done

On September 17, 2000, we issued *Audit of Orders Placed by the Public Buildings Service Against Multiple Award Construction Contracts*. In this review, we found that the use of MACs for construction work was inconsistent and opportunities to provide less costly and higher quality services were not being maximized.

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This review has been closed by GSA's Office of Finance, Office of the Controller, the Agency's resolution tracking office.

#### Management Action

PBS has drafted and circulated a revision to the Management Analysis Review System requiring adherence of ordering officials to laws and regulations governing the use of multiple award construction contracts.

During our *Audit of FTS' Use of Multiple Award, Indefinite Delivery Indefinite Quantity Contracts*, report dated September 19, 2000, we concluded that FTS must advance the concepts of fair opportunity and best value by moving to performance-based task order deliverables with price incentives. Changes are also needed for several operational processes and strategies that inhibit fair opportunity and the selection of a procurement vehicle that offers the best available solution to meet client needs. In addition, there were opportunities for FTS to improve its oversight function, revenue collection techniques, and contract administration.

In the *Audit of Federal Supply Service's Use of Multiple Award Indefinite Delivery Indefinite Quantity Contracts*, report dated July 26, 2000, we found over 65 percent of the delivery orders sampled were not supported by documentation reflecting that

vendors were provided a fair opportunity to compete for these orders. Additionally, the orders were not being reported to the Federal Procurement Data System. If the data in this system is inaccurate, the information provided by the Federal Procurement Data Center is not a useful tool for measuring and assessing the impact of Federal procurements on the nation's economy, nor the extent to which small and small disadvantaged business firms are sharing in Federal procurements.

In the *Audit of FTS Wireless Telecommunications Services Program* report dated July 27, 2000, we noted that FTS is in the midst of implementing many new wireless program initiatives, but procurement-related vulnerabilities may impede program success. There is no cohesive acquisition plan or sufficient detail to ensure a proper and complete procurement design.

Our *Audit of Consulting Services Provided by the Public Buildings Service Through Reimbursable Work Authorizations*, report dated July 5, 2000, showed that while providing financial and consulting services, PBS did not fulfill procurement requirements for full and open competition, and facilitated the award of task orders to consultants at the customers' request.

Our audit of *Federal Supply Service's Industrial Funding Fee for the Schedules Program*, report dated May 28, 1999, showed that the current fee no longer approximates a break-even position, generating nearly twice the revenue needed to cover program costs in the past two fiscal years. The excess revenue is significant, approximately \$30 million each fiscal year, and is expected to continue. We also noted that the controls over fee collection, including the verification of contractors' sales reports and management reports, need to be improved.

#### HUMAN CAPITAL Issue

As a result of organizational downsizing and restructuring, major program streamlining, and personnel reductions through attrition and buyouts, much of GSA's corporate knowledge and expertise have been lost or displaced. Additionally, GSA is aggressively promoting speedier and less burdensome ways to purchase supplies and services, extending its initiative to be more responsive to its customers by empowering employees with greater responsibilities and authorities. Many employees have been transferred or promoted into procurement and contract management positions of responsibility without adequate

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training and/or experience, and have limited job knowledge.

The loss of institutional memory has fostered the notion of knowledge sharing. Federal spending for services related to the business management concept called "Knowledge Management" is expected to explode from \$400 million per year to nearly \$6.3 billion over the next 5 years. GSA has created a position, known as the Chief Knowledge Officer, to promote knowledge sharing and enhance GSA's workforce skills. Some of the expected initiatives will be in the form of changing promotion criteria and funding bonuses based on cost savings attributable to knowledge sharing practices or programs.

Recognizing that the average age of the employee in GSA is 47 years, that less than 1,000 employees are under 30 and nearly as many are over 60, and that nearly half of GSA's employees will be eligible to retire in the next 5 years, GSA launched an initiative called the "World-Class Workforce." Among its most prominent accomplishments to date are the promotion of a nationwide recruitment and orientation effort; use of GSA's University-On-Line for all employees without requiring prior permission or funding from supervisors; and development of a website that serves as an employee portal on workforce issues.

The phased closing of the Agency's distribution centers and forward supply points was to begin in October 1999 and be completed within 18 months. Because of continuing discussions with the Union, the Administrator announced that he was turning back the clock and would treat all operations as going concerns as they were in mid-May 1999. In October 2000, the case was presented to the Federal Service Impasses Panel. A final ruling is anticipated by March 31, 2001. Should the closure proceed, approximately 2,000 GSA employees nationwide would be displaced. A number of the displaced employees will be placed in other positions within GSA. Our concern is that these individuals may not have any experience in the area in which they are placed and may not receive the proper training and guidance commensurate with their new responsibilities.

#### OIG Work Done *Follow-up Review of Contract Workload Management*

In our report of March 30, 1998, we concluded that the Agency still does not have a system to measure the MAS contract workload to ensure that there is a fair balance of work among the contract officials. Some contracting officers were carrying a much larger share of the work than others were.

#### AGING FEDERAL BUILDINGS Issue

GSA is being challenged to provide quality space to Federal agencies with an aging, deteriorating inventory of buildings and critical budgetary limitations in a competitive environment.

It is estimated that it would take several billion dollars to bring the building inventory up to standard. Since the Federal Building Fund generates annual revenue between \$4.5 and \$5 billion, most of which is committed to leased space costs, operating expenditures, and construction of new courthouses, finding funds for needed repairs is a major problem.

GSA needs to determine which buildings represent the greatest risk from a safety and operational perspective, which buildings will yield the best return on investment, what the Government's future space requirements are, and how to fund the highest priority projects in a timely manner.

#### OIG Work Done

On February 16, 2000, we issued *Audit of PBS' Environmental Management Program*. We concluded that the Agency should become more proactive in how it views and acts on environmental issues. It needs to address issues such as property contamination, compliance with Federal and state

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environmental laws and regulations, and liability for tenant activities.

### Management Action

Management is in the process of developing a national Environmental Management System.

### PROTECTION OF FEDERAL FACILITIES AND PERSONNEL Issue

GSA's Federal Protective Service (FPS) is responsible for developing and coordinating national practices to safeguard life and property in GSA controlled facilities. In light of concerns raised by violent terrorist acts, the Department of Justice (DOJ) assessed the vulnerability of Federal office buildings, and Congress appropriated funds for GSA to implement DOJ security enhancement recommendations. Such improvements included additional security personnel and the purchase, installation, and operation of new security detection devices.

GSA faced short timeframes to rapidly expand FPS operations and improve security measures over Federal personnel and property. Recent OIG reviews identified deficiencies in security measure implementation and the reliability of the related management information tracking system. GSA is in the process of implementing recommendations designed to improve the security enhancement

effort. Once federal facilities are brought up to minimum safety standards, FPS will need to ensure that adequate personnel are available to carry out its responsibilities. Also, GSA must establish an integrated security program that will gather intelligence, maintain technology, and keep a physical presence throughout the Federal and local law enforcement community.

### OIG Work Done

On March 28, 2000, we issued *Audit of the Federal Protective Service's Contract Guard Program*. During the course of this review, we became aware of conditions that warranted management's immediate attention. We provided three Alert Reports to management on significant issues. These issues are incorporated into our overall Program report. We noted, among other things, that hundreds of guards were on post without valid suitability determinations; guards lacked the training necessary to perform their duties; armed guards were on post without valid firearm qualifications; and contract enforcement and oversight were not consistent.

In our *Review of FPS Efforts to Resolve Contract Guard Deficiencies in New Jersey*, report dated May 16, 2000, we found that only limited improvements have resulted. The contractor is still largely non-compliant with critical contractual requirements such as training,

testing, and supervision. In addition, due to difficulties in obtaining weapon permits, the contractor continues to staff unarmed guards at posts that should be armed. Since management asked us to conduct this follow-up review, our report did not contain formal recommendations.

In our March 24, 1999 report, *Audit of Security Measures for New and Renovated Federal Facilities*, we concluded that GSA was applying enhanced standards where possible; however, the standards were too new to have been applied to every phase of all current building projects. We did note that GSA had not used assessment standards when considering commercial properties for new leases of space. In addition, certain regional personnel were unclear regarding which PBS work units should have lead responsibility for ensuring that security considerations are factored into each phase of project development.

### Management Action

PBS has drafted an instructional letter that establishes the Agency's policy on the posting of sensitive, but unclassified, information on the Internet relating to the security of owned or leased Federal facilities.

We reported, on September 14, 1998, that our review of the *Federal Protective Service's Program for Upgrading Security at Federal*

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*Facilities* disclosed that the database used for reporting regional status of security enhancement countermeasures to Central Office was unreliable. During the course of that review, we issued two Alert Reports, dated February 11 and June 29, 1998, informing management of significant audit concerns that warranted immediate attention.

#### Management Action

FPS has developed a new security countermeasure tracking system, intended to capture critical information elements lacking from the original system, such as actual costs, excess inventory, and enhanced editing capabilities.

*Audit of Clearance Procedures for Child Care Center Employees*, report dated November 14, 2000, shows that while there have been measurable improvements in the processing of background checks over the past few years, too much time elapses before the background check process for new employees is initiated, causing serious safety concerns. Providers do not have a clear understanding of the necessary requirements in the process and licensing agreements lack sufficient detail in this regard. GSA personnel are not always enforcing policies, and FPS is not processing the paperwork as early as possible. Finally, there are delays in submitting the paperwork and scheduling of appointments.

We conducted a *Review of GSA's Building Access Controls at a Major Federal Installation*, and issued our report on September 19, 2000. Because of a variety of security badges currently being used by GSA and the other tenant agencies within the installation, it is difficult for the security personnel to discern the validity of the badges and, generally, anyone is allowed to enter the building if they display any kind of identification badge. Also, GSA has no formal procedure to ensure that card keys are deactivated or security badges are returned when a holder no longer has a valid need for routine access to buildings at the facility.

*Megacenter Program, Federal Protective Service*, was reviewed and our report was issued on January 30, 1998. Because of personnel shortages and a lack of financial resources, the Agency was planning to consolidate regional security control centers into four megacenters. We concluded that the megacenters could be used effectively to perform the functions of several control centers. To ensure that the concept is implemented as planned, we offered some suggestions, including: accessing criminal justice information systems in other states; developing contingency plans in case of a natural disaster; and ensuring technological upgrades and preventive maintenance of alarm systems.

On December 1, 1998, we reported on our *Audit of the Availability of Federal Building Design Plans*. We found that these design plans were, in many cases, available to the general public through several sources and were under consideration for inclusion on Internet web sites. We concluded that GSA needed to reevaluate current policy to determine when public access to plans represents a security threat, and decide if policy changes should be made, in light of the Agency's responsibility to safeguard property and lives.

#### Programs Not Achieving Intended Results

We are not aware of any GSA program that is completely failing to meet its intended results.

# Management Assessment of Performance Measures

February 14, 2001

The Reports Consolidation Act of 2000 requires each agency head to assess the completeness and reliability of the performance and financial data used in the report. I am pleased to deliver this assessment:

- 1) The financial data used in the report are complete and reliable. I base this assessment on the unbroken series of 13 unqualified opinions GSA has received on its financial statements. However, three non-material weaknesses in GSA's financial reporting and operations are identified in this year's Independent Accountants' Report. We intend to follow their guidance in addressing these issues.
- 2) The performance data used in this report are generally complete and reliable. However, in conformance with recommendations made by the Office of the Inspector General, improvements are underway to increase our confidence in the data. Briefly, we are taking the following actions:
  - We are reviewing the procedures used to collect performance data and the basis on which an assertion of validity can be made at the program activity level. In some cases this review may lead to an enhancement of the written documentation for the procedures or systems being used. Similarly, there must be current, clear designations of responsibility for data collection and review.
  - One of the areas identified as non-material weaknesses by the Independent Accountants involved the STAR system in the Public Buildings Service. STAR is a source of both financial and performance data. Improvements to the STAR system will have a favorable impact on the completeness and reliability of both financial and performance data.

We are committed to continuously improving our ability to measure our work and to use these measurements to continuously enhance the quality of our service to our Federal customers and, through them, to all taxpayers.



Thurman Davis  
*Acting Administrator*

# Inspector General's Semiannual Reports to the Congress

## EXECUTIVE SUMMARY FOR THE PERIOD OCTOBER 1, 1999–MARCH 31, 2000

This period we continued to provide our wide variety of traditional services, including program evaluations, contract and financial auditing, management control reviews, investigative coverage, litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions. In addition, we provided professional assistance through enhanced consulting services designed to quickly inform management of potentially serious deficiencies or other concerns prior to completion of all analytical work and formal report issuance. We also continued our work in addressing what we believe are the major issues facing GSA.

### Major Issues

In this report, we have highlighted a number of reviews that address major management issues facing GSA. These reviews cover a variety of areas from information technology to protection of Federal facilities. In December 1999, we identified to members of the Congressional leadership the most serious management challenges currently facing the Agency. For this period, some of these challenges are in the areas of Federal facilities and personnel protection, information technology,

management controls, and aging Federal buildings. Other major issues are being addressed through ongoing and planned reviews.

### Protection of Federal Facilities and Personnel

As part of our ongoing review of GSA's efforts to improve the safety and security of Federal employees and buildings, we performed an analysis of GSA's Contract Security Guard Program. We found several conditions that warranted management's immediate attention including: hundreds of guards were on post without valid clearances or background checks; guards were not trained in the proper use of security equipment; armed guards did not have valid firearms qualifications; unarmed guards were stationed at posts requiring armed guards; and, approximately one-half of all guard applicants failed the new National Contract Guard Examination. We reported that improvements in programmatic controls and oversight are needed to ensure that guards are properly trained and qualified to perform their duties. We also concluded that the Contract Guard Program lacks sufficient controls to ensure that all guards have been properly cleared and have received sufficient training to enable them to properly perform their duties. We reported that these conditions warrant a material weakness designation and

should be reported under the Federal Managers' Financial Integrity Act in FY 2000.

### Information Technology

GSA's challenges are increasing as the application of information technology becomes universal within the Government and impacts all aspects of business operations. The Agency relies on its automated information systems to perform its mission and manage its operations. One such system, the System for Tracking and Administering Real Property (STAR), was designed to help GSA more effectively manage over 8,000 Federal properties and over \$5.5 billion in annual rental billings. Although significant progress has been made in implementing STAR, we found that STAR users are still facing many technical and operational difficulties. For example, system requirements and capabilities are constantly changing, GSA has limited day-to-day control over the contractor-managed system, and system controls are inadequate to protect against disruption of system functions. Several of these problems exist because of the lack of an overall systems development plan detailing software, hardware, and functional requirements. Management needs to develop a project plan with sufficient project staff and leadership to ensure successful system performance.

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## Management Controls

We issued several reports this period addressing management controls, centering on payments to credit card vendors, purchase card transactions by GSA employees, and administration of performance-based contracts. The use of GSA's purchase cards for procuring products and services has increased dramatically in recent years. Payments to credit card vendors for 9 months ending June 1999 totaled about \$99 million. Federal procurement reform has made using the card simple, convenient, and fast. However, in our control reviews, we found that controls over card purchases do not provide reasonable assurance that payments are for valid purchases, that approving officials are notified of all purchases, and that duplicate payments are prevented. We also noted that refresher-training requirements are insufficient to keep card holders current and updated on proper card use. We also found that some card users did not keep records of products or services ordered or received, and credit card billings had not been verified for accuracy. We recommended that controls over card purchases be improved to strengthen the overall purchase card programs. These improvements include ensuring approving officials monitor and verify card charges and ensuring card holders keep accurate purchase records and perform

required reconciliations with card statements.

Management requested that we evaluate the procedures they established to monitor certain credit card transactions for its fleet vehicle operations and maintenance. We concluded that there was not a high degree of assurance that credit charges were valid and reasonable under a recently adopted program permitting the use of VISA cards. We found this was primarily due to the system's lacking the capability to monitor such transactions online. Such a vulnerability was exhibited in our investigation and indictment of a GSA employee for making fraudulent purchases using a credit card. Management is working to correct this problem. Once corrected, this should improve GSA's ability to monitor card charges and help to improve assurance levels.

We also concluded that management practices for administering performance-based custodial contracts were not effective in one region and resulted in service delivery deficiencies exceeding acceptable levels. Despite customer complaints, GSA continued to renew contracts rather than enforce remedies available under the terms of the contract.

## Aging Federal Buildings

In our last semiannual report, we alerted management to significant

health and safety concerns at several Federal facilities identified during our review of a regional Property Management Center. We completed our review this period, and reported additional concerns with repair and maintenance of buildings, and a need to strengthen controls to ensure that all service contract employees have security clearances. We also referred questionable procurement actions to investigative authorities for further assessment.

## Other Program/Operational Reviews

The OIG continued its ongoing reviews of major programs and operations throughout GSA's various components. One of these reviews involved an assessment of the Agency's ability to provide a safe and healthful work environment in GSA-controlled space and properties. Traditionally, GSA's major environmental concerns focused on asbestos and polychlorinated biphenals related hazards in Federal buildings. We concluded that the Agency needs to address issues such as property contamination, compliance with Federal and state environmental laws and regulations, and liability for tenant activities. Also noted were the program's need to evaluate regional activities, such as managing asbestos in place, and sharing information on a nationwide basis.

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We reviewed the accuracy and timeliness of real property reporting for the Worldwide Inventory Report and concluded that GSA has no assurance that the inventory reports provide accurate, timely, and complete information on real property assets owned and leased throughout the world. This has resulted from communications problems between agencies due to system changes, agency reorganizations, and staff reductions. Further, we noted that GSA has no legislative authority to enforce accurate data submissions, and must depend on agencies to voluntarily submit current real property data in a timely manner.

In conducting a review of contracting activities, we surfaced discrepancies in data accuracy on procurement actions. Federal agencies are responsible for collecting and reporting procurement data to GSA's Federal Procurement Data Center. We found that GSA misclassified certain procurement actions that resulted in one type of procurement activity being understated by \$196 million in Fiscal Year (FY) 1999. We suggested that more meaningful contract action codes could be helpful to Federal agencies. We noted that accurate information would enhance the ability of both the Office of Management and Budget (OMB) and GSA to enact sound procurement policies.

### Procurement Integrity

An important part of the OIG's work is to support the Agency's contracting officers and to protect the integrity of GSA's procurement programs and operations by detecting and preventing fraud, waste, and abuse. Based on our audit and investigative work this period, the Government entered into nine settlement agreements in which companies agreed to pay over \$3.4 million to resolve potential civil liabilities under the False Claims Act. These contractors provided library lending services, computer furniture, miniature digital recorders, shredders, and leased warehouse space. The settlements involved allegations that the companies had misrepresented their commercial discount practices, had falsified certifications on construction projects, and had conspired to substitute inferior products in violation of the False Claims Act and other statutory and contractual provisions.

We reviewed the two contractual arrangements used by GSA to compete for the Federal information technology (IT) market. One is the Multiple Award Schedule which provides agencies an easy way of ordering standard commercial products and services direct from vendors. The other arrangement involves multiple award contracts that normally require GSA assistance in

acquiring and administering contracts for IT products and services. Our review originated from a concern that costs of duplication, if any, between the two procurement options could outweigh any benefits. However, we concluded that even though similar IT products and services are being offered under both contractual arrangements, they do satisfy specific needs of customers and that clients, depending on their needs, can select either option for procuring their IT needs.

### Criminal Investigations

An investigation conducted during this period resulted in eight debarment actions against a janitorial contractor. It was revealed that the company violated employment provisions of the Immigration and Nationality Act by employing illegal aliens on a Federal contract.

Additionally, we investigated the conversion of Government surplus property to personal use by a state representative and her associate. We apprehended a GSA employee misusing credit cards and had a contracting officer plead guilty to mail fraud. Also in this reporting period, we completed an investigation which resulted in an employee pleading guilty to workers' compensation fraud, and performed an investigation into an assault by a Federal Protective Service Officer.

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## Value-Added Assistance Services

The OIG continued to provide value-added professional assistance to GSA through participation in Agency improvement task forces, committees, and working groups. Our representatives participated in teams addressing the replacement of GSA's financial system (NEAR) and assisted in establishing a system of management and information security controls. We also continued to participate in a GSA task force established to facilitate the construction of a courthouse by responding to requests for information on cost allowability and other contract provisions. In addition, the OIG participates in a number of committees and working groups that directly affect our ability to add value to the Agency, e.g., the Information Technology Council. We also participated in GSA's Data Warehousing Pilot working group to test and direct data warehousing for the Agency. We met with the President's Council on Integrity and Efficiency (PCIE) Information Technology Roundtable, PCIE Security and Audit working groups, and the PCIE Government Performance and Results Act working group.

## Summary of Results

The OIG made over \$43 million in total financial recommendations, including more than \$39 million in recommendations that funds be put

to better use and over \$4 million in questioned costs; made 220 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 227 legislative and regulatory actions; and received 890 Hotline calls and letters. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$46 million.

## EXECUTIVE SUMMARY FOR THE PERIOD APRIL 1, 2000-SEPTEMBER 30, 2000

This period, we continued to provide a variety of traditional services, including program evaluations; contract and financial auditing; management control reviews; investigative coverage and litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions. In addition, we provided professional assistance through enhanced consulting services and the use of alert reports designed to quickly inform management of potentially serious deficiencies or other concerns prior to completion of all analytical work and formal report issuance. We also continued our work in addressing what we believe are the major issues facing GSA.

## Major Issues

We have highlighted a number of reviews that address major

management issues facing GSA. In December 1999, we identified to members of the Congressional leadership the most serious management challenges facing the Agency. Some of these challenges are in the areas of Federal facilities and personnel protection, information technology, and management controls. Significant reports issued this period address many of these critical areas. Still others are being addressed through ongoing and planned reviews. Our efforts during this period focused on the following:

## Protection of Federal Facilities and Personnel

As part of our ongoing review of GSA's efforts to improve the safety and security of Federal employees and buildings and at the request of the Federal Protective Service (FPS), we performed a follow-up review of a contract security guard contract originally reported on in our last report to the Congress. We found that only limited improvements have been made. The contractor remains largely non-compliant with critical contractual requirements such as training, testing, and supervision. In addition, the contractor continues to staff unarmed guards at armed posts. We strongly urged FPS management to quickly consider finding alternative contracting sources. We also performed a review concerning physical access

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controls in a regional office complex. We noted that the complex contained multiple entry points, which can be accessed by a card key system and/or security badge. Because of a variety of security badges being used by complex tenants, it is difficult for security personnel to discern the validity of badges; therefore, anyone displaying some type of identification badge is allowed entry. We noted that there is no formal procedure to ensure card keys are deactivated or security badges returned when a holder no longer needs access to the complex. Consequently, former employees still have access to the complex.

#### Information Technology

GSA is in the process of replacing its aging National Electronic Accounting and Reporting (NEAR) system with a new financial management system known as Pegasys, which is based on a commercial off-the-shelf product currently being used by 18 Government agencies. Since 1999, project cost estimates have escalated from \$34 million to \$134 million and implementation dates have gone from 3 to 6 years. To date, approximately \$39 million has already been obligated, with only part of Phase 1 operational on a currently planned four-phased project. Continual changes to the project scope, lack of detailed plans and tasks, insufficient project staff, and contractor payments based on hours worked rather than

completed tasks will make it difficult for GSA to accurately project and control Pegasys' total costs for both the development and GSA-wide integration. We advised management to implement control mechanisms to direct, monitor, and accurately assess the contractor's performance in developing Pegasys. Also, an independent oversight and verification and validation process should be instituted to review progress and proposed system changes needed as development continues.

We performed a review of GSA's Critical Infrastructure Protection Plan (CIPP) for implementing Presidential Decision Directive 63 (PDD 63), which is concerned with the security of cyber-based infrastructures of the United States. Our review was part of the President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency (PCIE/ECIE) Governmentwide review of Federal agencies' infrastructure assurance programs. With respect to GSA, we found the Agency has not clearly defined operational roles and responsibilities for protecting GSA's critical infrastructure, does not include protection planning for all GSA critical infrastructure assets, nor provide for critical infrastructure security planning into the design of new systems. Moreover, GSA has not established an Agency-wide process for completing vulnerability assessments and risk mitigation

plans for its cyber-based infrastructure, as required by PDD 63.

We examined GSA's efforts to promote and assist Federal agencies in implementing the use of a single "smart card" which Federal employees can use to acquire a range of services including travel, small purchases, and building access. GSA established the Office of Smart Card Initiatives within the Federal Technology Service (FTS) to provide Governmentwide implementation and internal GSA coordination across its Services. A lack of coordination of GSA's internal smart card efforts has led to a lack of standardization across GSA's Service lines. We recommended that the office responsible for internal smart card implementation have clear and measurable standards to gauge its efforts. Furthermore, GSA needs to clearly communicate its specific responsibilities and guidance for coordinating, monitoring, and standardizing the smart card pilots and for full Governmentwide implementation.

In addition, we performed a review of the FTS Wireless Telecommunications Services Program. Although GSA is currently planning new initiatives aimed at improving wireless service to Federal agencies, we noted the need for a clear acquisition plan

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and the need to ensure adequate competition.

### Management Controls

We reviewed management controls over proceeds from real property sales. We performed this review to evaluate if management controls provide assurance that revenue generated from the sale of real property and reimbursable services provided to customer agencies are properly accounted for, appropriately monitored, and safeguarded. We found GSA cannot be assured that transactions are properly recorded and Government assets are adequately protected. In addition, controls over transaction recording, documentation, separation of duties, access to and accountability for resources, and employee supervision are deficient. We recommended a periodic review of the Property Disposal Revenue Program and transactions, development of more meaningful, user-friendly reports, and better guidelines to zonal offices.

During our review of a GSA Fleet Management Center, we determined that, while the Agency did a creditable job of implementing management controls over its vehicles, improvements were needed to protect fleet services charge cards, a \$411 million program, from misuse. We also found that GSA should ensure destruction of license plates from vehicles removed from service. We

recommended that fleet management: improve controls over the approval for replacement fleet services charge cards, separate ordering and receiving duties for the cards, verify the deactivation of the cards for sold vehicles, and ensure proper notification and verification of license plate destruction.

In order to make sound financial decisions regarding more than 8,300 owned and leased buildings, GSA must continuously assess and analyze the revenues and expenses for each property. We initiated a review to determine if the Agency has effective controls to ensure that all operating costs and revenues associated with a building are properly assigned to that building. In some cases, when costs or revenues are not readily assigned to a building, GSA uses holding accounts, which GSA refers to as "dummy" accounts, to capture these costs until they can be properly assigned in the accounting system. In our review, we found that entries were incorrectly posted to dummy building accounts and were not redistributed from these numbers to the appropriate accounts. While there was no material impact on the financial statements, asset management decisions could be influenced. For example, we found over \$345 million in new building construction costs, repair and alteration projects, and project

costs associated with multiple buildings that were not reassigned to appropriate buildings. We also found that other capitalized and depreciated costs were being improperly passed through dummy accounts. We recommended actions to strengthen controls to ensure that costs are properly allocated.

### OTHER PROGRAM/ OPERATIONAL REVIEWS

GSA's Federal Supply Service (FSS) is developing performance measures for its acquisition centers and linking them to its budget justification, as required by the Government Performance and Results Act. Based on a request from the Commissioner, FSS, we conducted a best practices review of performance measures for acquisition centers. We met with 12 private sector companies and a state acquisition agency. We found that FSS is using many of the same key performance measures as the private sector to help achieve excellence in purchasing goods and services. FSS is also currently refining its performance measures to improve its management practices and service delivery.

### Procurement Integrity

An important part of the OIG's work is to support the Agency's contracting officers and to protect the integrity of GSA's procurement programs and operations by detecting and preventing fraud,

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waste, and abuse. Based on our audit and investigative work this period, the Government entered into six settlement agreements in which companies agreed to pay over \$35 million to resolve potential civil liabilities under the False Claims Act. In one settlement, we obtained over \$33 million from a company that sold defective laptop computers to Government agencies. Other settlements involved contractors who provided office products, cushioning and packing materials, and computers. The settlements involved allegations that the companies had misrepresented their commercial discount practices and had conspired to substitute inferior products in violation of the False Claims Act and other statutory and contractual provisions.

GSA has adopted the use of multiple award task and delivery order contracts (MACs) to aid Federal agencies in selecting contractors when the Government cannot determine the precise quantities of goods or services it will need for specific tasks. These contracts, referred to as indefinite delivery indefinite quantity contracts, are designed to promote competition among contractors, lower prices, improve quality, and to better meet agency requirements. Each of GSA's Services developed MACs to meet customer requirements and to promote competition. At the request of GSA

management, we reviewed GSA's use of these contracts. Overall, we found that each of GSA's Services used MACs but with mixed results. For example, our review showed that FTS clients have increased their use of MACs when procuring information technology services. This has resulted in greater flexibility and speed in meeting customer needs. However, only a small percentage of these contracts complied with Federal regulations that require contracts to be performance-based and contain pricing incentives. The Public Buildings Service (PBS) Property Management Centers used MACs to improve cost-effective delivery of quality construction services. However, their use was inconsistent throughout PBS, resulting in missed opportunities for less costly services and better quality. We also reviewed the use of MACs under the FSS Multi-Vendor Program. We noted that over 65 percent of the delivery orders we sampled were not supported by documentation showing that vendors were provided a fair opportunity to compete for these orders, and that acquisitions were not reported to the Federal Procurement Data System. We made several recommendations to GSA management to improve the overall use of MACs, by documenting contractor selection, ensuring vendors have a fair opportunity to compete, and

strengthening controls over the ordering and delivery processes.

GSA awarded national real estate services contracts in four geographic areas for a wide variety of services, from administrative lease functions to the full acquisition of space. We noted that the service contracts are meeting customer and Agency requirements. However, we could not determine the cost-effectiveness of these services because there is no mechanism in place to measure the internal cost of operations. We concluded that GSA needs to implement a cost accounting system to help determine the advantage of providing leasing services in-house versus purchasing leasing services through commercial real estate firms.

We reviewed the award of several contracts used to provide financial and consulting services to two Federal agencies and concluded that GSA did not fulfill the Competition in Contracting Act requirement to use competitive procedures in all non-exempt procurements for goods and services. We recommended that officials provide for competition as required by regulations and contract clauses.

### Criminal Investigations

The OIG is a participant in the New York Electronic Crimes Task Force that investigates telecommunications fraud primarily

involving Federal facilities within the New York metropolitan area. As a result of our involvement with this task force, we completed investigations that resulted in two arrests, two indictments, and five convictions this period.

Additionally, we investigated the fraudulent acquisition and disposal of Federal surplus property. Another investigation resulted in a GSA employee pleading guilty to accepting a bribe from a Government contractor. We performed investigations regarding GSA's \$411 million fleet charge card program and \$157 million small purchase charge program. We arrested a GSA employee for misusing a VISA International Merchant Purchase Authorization Card (IMPAC) and had another employee plead guilty to Government charge card fraud.

#### Value-Added Assistance Services

The OIG continued to provide value-added professional assistance to GSA through participation in Agency improvement task forces, committees, and working groups. We continued to participate in a GSA task force established to facilitate a troubled courthouse construction project by responding to requests for information on cost allowability and other contract provisions. In addition, the OIG participates in a number of committees and working groups that directly affect our ability to add

value to the Agency. For example, we participate in the Procurement Executives Council, the Information Technology (IT) Council, and the PCIE IT Roundtable. We also take part in the following working groups: GSA's Data Warehousing Pilot, PCIE IT Security and Audit Workforce, and the PCIE Government Performance and Results Act. Our Inspector General for Auditing is a member of the Cost Accounting Standards Board.

#### Summary Statistics

The OIG made over \$338 million in financial recommendations to better use Government funds; made 255 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 331 legislative and regulatory actions; and received 1,124 Hotline calls and letters. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$119 million.

#### FISCAL YEAR 2000 RESULTS

During Fiscal Year 2000, OIG activities resulted in:

- Over \$383 million in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.

- Management decisions to put funds of \$113.3 million to better use based on OIG recommendations.
- 211 audit reports that assisted management in making sound decisions regarding Agency operations.
- 2 implementation reviews that tracked the progress of actions in response to internal audit reports.
- \$53 million recovered as a result of management decisions to recover funds, civil settlements, court-ordered and investigative recoveries.
- 244 new investigations opened and 185 cases closed.
- 48 case referrals (72 subjects) accepted for criminal prosecution and 21 case referrals (28 subjects) accepted for civil litigation.
- 42 criminal indictments/informations and 32 successful prosecutions on criminal matters referred.
- 15 civil settlements.
- 11 referrals to other Federal agencies for further investigation.
- 29 employee actions taken on administrative referrals involving GSA employees.
- 26 contractor suspensions and 61 contractor debarments.
- 508 legislative matters and 50 regulations and directives reviewed.
- 2,014 Hotline calls and letters received of which 192 warranted further GSA action.

## EXECUTIVE SUMMARY COMBINING THE SEMIANNUAL REPORTS FOR FISCAL YEAR 2000

In accordance with the Inspector General Act Amendments of 1988, the Administrator of General Services reports directly to Congress on management decisions and final actions taken regarding audit recommendations issued by GSA's Office of Inspector General (OIG). The Administrator must also provide an explanation when final action has not been taken within one year of an audit's management decision date.

The Administrator's reports are statutorily required on a semiannual schedule for periods ending March 31 and September 30 of each fiscal year. The information below represents a compilation of summary statistics from the two reports issued for fiscal year 2000. Where appropriate to be consistent with this Annual Report presentation, six months totals have been combined to reflect full fiscal year performance.

For a fuller understanding of the statistics presented below, it should be known that the OIG identifies audit recommendations for cost avoidance as "funds to be put to better use" and distinguishes whether the funds have or do not have an impact on the agency's budget. Funds categorized as having budget impact involve the obligation process, and audit-related savings of this category may be available for reprogramming. Funds identified as having no budget impact do not involve obligated monies and, therefore, do not have a material effect on the agency's appropriated funds.

During the fiscal year ending September 30, 2000, management decisions were issued on 231 audit reports. Of this total, 136 audit reports represented \$13,553,055 in disallowed costs and \$113,291,702 in funds to be put to better use. The latter category is comprised of estimated and actual cost avoidance determined to have no impact on the agency's budget.

By the fiscal year's end, final action was achieved for 134 audits with management decisions identifying disallowed costs or funds to be put to better use. These audits represent the recovery of \$3,268,059 and the implementation of \$34,114,388 of actual cost avoidance determined to have no impact on the agency's budget.

As of March 31, 2000, 84 audit reports remained open without final action a year after management decision, with 16 of this total under formal administrative or judicial appeal. As of September 30, 2000, 108 audits remained open without final action a year after management decision, with 19 under appeal. The full reports for each semiannual period cite the reasons final actions were not yet taken on the open audits that were not under appeal.

*Copies of the semiannual reports may be obtained directly from GSA's Office of the Chief Financial Officer, U.S. General Services Administration, 1800 F Street, NW, Washington, DC 20405.*

This chart sets forth GSA's performance goals and measures, the baseline performance in FY 1999, the FY 2000 target and the actual performance in FY 2000 against the targets for the year. In addition, the symbols in the far right column offer a quick at-a-glance indicator of performance on each goal. For example:

- ▲ indicates that GSA's performance exceeded its FY 2000 target for that goal.
- ✓ indicates that GSA met the target.
- ▼ indicates that GSA did not meet its target on that goal.

N/A indicates that GSA's performance against that goal could not be measured, either because a target had not been established or because measurement had not been completed.

In many cases, goals, measures, baselines or targets have been revised since the GSA FY 1999/2000 Performance Plan, as the agency's program managers learn how best to use performance measurement in their operations. Some goals were changed in the course of the year; some were discontinued; others were added. The 52 performance measures reported in the Annual Report are consistent with the results reported in the GSA Annual Performance Report for FY 2000, which are summarized here. The full text of this report will be submitted to Congress in a separate document.

## GSA Strategic Goal #1: Promote Responsible Asset Management

Conserve Government resources and the assets in GSA's care and provide policies and best practices for Governmentwide asset management.

					FY 2000 Performance vs. Target	
Performance Goal	Performance Measure	FY 1999 Actual	FY 2000 Actual	FY 2000 Target		
PUBLIC BUILDINGS SERVICE	Generate a capital investment contribution of 2.5% to 4.5% of the functional replacement value of the owned (buildings) inventory. (revised)	Contribution to capital as a of functional replacement value of the owned inventory. (revised)	4.1%	4.0%	2.5%-4.5%	▲
	Reduce the amount of non-revenue producing space in Government-owned buildings to maximize rental income.	Percent of Government-owned inventory not producing revenue	13.5%	12.2%	13.0%	▲
	Reduce indirect costs as a percentage of revenue in PBS.	Indirect costs as a percent of PBS revenue.	10.3% (revised)	10.7%	10.7%	✓
	Reduce the amount of non-revenue producing space in the leased-space inventory.	Percent of Government-leased inventory not producing revenue.	3.7%	3.3%	3.6%	▲
	Maintain building operations costs in office and office-like space to 12% below private sector benchmarks.	Percentage difference between GSA's operating cost/rentable square foot for office space and private sector costs.	13%	17%	12%	▲
	Complete construction projects on time.	Percent of construction projects delivered on time (weighted by cost).	59%	46%	80%	▼
	Minimize cost escalations on construction projects (revised)	Total cost of projects over \$10 million completed during the year as percent of the total appropriation for those projects.	0.8% (revised)	5.7%	2%	▼
	Improve the percent of repair and alteration projects completed on schedule. (revised)	Percent of repair and alterations projects delivered on time (Weighted by cost).	69%	80%	83%	▼
	Minimize the cost escalation rate for repairs and alterations.	Total cost of projects over \$10 million completed during the year as percent of the total appropriation for those projects. (revised)	-2%	1%	2%	▲
	Improve the dollar-returned-to-dollar-invested ratio for the real property disposal process.	Ratio of dollar-returned-to-dollar-invested.	15:1 (revised)	16:1	15:1	▲

GSA Strategic Goal #1: Promote Responsible Asset Management (continued)

	Performance Goal	Performance Measure	FY 1999 Actual	FY 2000 Actual	FY 2000 Target	FY 2000 Performance vs. Target
FEDERAL SUPPLY SERVICE	Hold costs at current levels while expanding supply and procurement support to Federal agencies, thereby reducing cost per \$100 sales.	Cost per \$100 of sales	\$2.85	\$2.35	\$2.66	▲
	Hold annual increases in cost-per-mile for GSA Fleet operations at or below the inflation rate.	Increase in overall cost-per-mile (CPM) compared to inflation rate.	0.7% CPM vs, 1.9% inflation	7.8% CPM vs. 8.6% inflation	2.4%CPM vs. inflation	▲
	Achieve an average 20% savings over commercial "Black Book" prices for 4-cylinder compact sedans.	Percent saved compared to "Black Book" Invoice Price.	20%	27%	20%	▲
	Save taxpayers money by consolidating additional vehicles into GSA's fleet.	Average savings per vehicle consolidated into the fleet.	\$971	\$689	\$717	▼
	Maximize cost avoidance through reutilization and donation of excess Federal personal property.	New expenditures avoided through reutilization and donations of excess personal property.	\$1.9 billion	\$3.2 billion	\$1.6 billion	▲
FTS	Provide increased opportunities for employee development and respond to employee needs. (new)	Percent of the average FTS score on the quality culture and organizational climate survey.	N/A	74%	70%	▲
OFFICE OF GOVERNMENTWIDE POLICY	Organize, lead and collaborate with Federal agencies to implement requirements of Federal laws and Executive Orders and address Governmentwide issues.	Number of areas with interagency committees	12 of 12	12 of 12	12 of 12	✓
	Maintain up-to-date policies and guidelines for those areas in OGP's responsibility.	Percent of planned regulatory changes completed.	58%	93%	85%	▲
	Identify and publish best practices for those areas within OGP's responsibility.	Percent of processes completed.	92%	100%	100%	✓
	Develop and promote performance measurement systems for Governmentwide use.	Number of 12 OGP areas with performance measurement systems	7 of 12	11 of 12	11 of 12	✓
	Establish and maintain a core curriculum of Internet-based courses and increase the number of training instances.	Number of Internet courses developed. Number of training instances.	3 (revised) 11,157	2 21,551	1 2,750	▲
	Improve the professional skills of present and future Federal IT leaders.	Number of Federal IT professionals in: 1,000 by the Year 2000 Trail Boss round-up IRMCO STAR seminars CIO University	857 140 460 N/A (new) N/A (new)	1,038 110 414 51 40	1,000 100 350 40 30	▲ ▲ ▲ ▲ ▲

**GSA Strategic Goal #2: Compete Effectively for the Federal Market**

Be the preferred provider of space, products, services, technology and telecommunications for all Federal agencies, by efficiently and economically delivering consistently high quality and best value.

	Performance Goal	Performance Measure	FY 1999 Actual	FY 2000 Actual	FY 2000 Target	FY 2000 Performance vs. Target
<b>PBS</b>	Improve the percentage of annual lease costs for new leases that are at or below the cost of equivalent space obtained by the private sector from 98.8%.	Percent of annual cost for new leases at or below private sector.	98.7%	98.8%	98.8%	✓
<b>FEDERAL SUPPLY SERVICE</b>	Increase Federal agencies' use of GSA sources of supply by providing additional products and services and by making it easier to access FSS products and services.	Dollar volume of GSA Supply and Procurement programs.	\$12.7 billion	\$16.3 billion	\$14.1 billion	▲
	Increase GSA's share of Federal fleet.	Percent of Federal fleet operated by GSA.	44%	46%	46%	✓
	Maintain savings of 45% to 47% compared to commercial rates for shipment of freight and household goods and for small-package express delivery services.	Percent savings from commercial rates.	Freight 46% Household goods 47% Small Pkg. Exp. Delivery 45%	Freight 46% Household goods 52% Small Pkg. Exp. Delivery 45%	Freight 46% Household goods 47% Small Pkg. Express 45%	✓ ▲ ✓
<b>FEDERAL TECHNOLOGY SERVICE</b>	Assist Federal agencies in achieving significant savings by providing high quality products and services at competitive prices that the demand for IT Solutions increases our overall business volume to obtain 15% of the Federal IT market.	Total business volume as a percent of the Federal IT Market.	13.7%	14.2%	15.8%	▼
	Achieve and maintain an appropriate level of full cost recovery to maximize service to Federal agencies and effect the greatest advantage to the Government.	Excess revenue as a % of total revenues.	1.67%	0.25%	-0.2%	▲
	Acquire FTS2000/2001 prices that are lower than and remain competitive with average commercial prices.	Percent FTS2000/FTS2001 prices lower than commercial prices	4.3%	25.7%	15.0%	▲
	Reduce average monthly local line rate.	Average monthly line rate	\$19.74	\$18.81	18.81	✓
<b>GSA</b>	Maintain/increase the number of children of Federal employees who receive care at GSA child care centers.	Number of children from Federal families as percent of total children receiving care in each GSA child care center.	56%	55%	50%	▲

### GSA Strategic Goal #3: Excel at Customer Service

Thrill our customers and agency partners by developing and delivering creative solutions to meet their needs for space, products and services, technology and telecommunications, and policy guidance.

FY 2000  
Performance  
vs. Target

	Performance Goal	Performance Measure	FY 1999 Actual	FY 2000 Actual	FY 2000 Target	FY 2000 Performance vs. Target
<b>PBS</b>	Improve customer satisfaction for security services. (new)	Percent of tenants that rate GSA's protective services satisfactory	85%	N/A	81%	N/A
	Improve overall customer satisfaction.	Percent of tenants that rate GSA-owned space as satisfactory or better	85%	82%	81%	▲
	Improve the percentage of customer satisfaction for leased space.	Percent of tenants that rate leased space and services as satisfactory or better	85%	80%	81%	▼
	Maintain a 90% customer satisfaction rating in newly constructed buildings.	Percent of satisfied customers	91%	N/A	90%	N/A
<b>FEDERAL SUPPLY SERVICE</b>	Promote socioeconomic goals by maintaining the current proportion of Schedules contracts awarded to small businesses	Percent of Schedule contracts awarded to small business	77%	77%	77%	✓
	Increase customer satisfaction with Supply and Procurement programs.	Percent of responses in the category "highly satisfied"	63%	72%	63%	▲
	Meet or exceed customer expectations (Vehicle Acquisition and Leasing).	Percent of respondents giving a "highly satisfied" rating.	78%	N/A	78%	N/A
	Increase customer satisfaction with FSS travel and transportation programs.	Customer satisfaction survey results (on a scale of 1 to 5).	4.5	N/A	4.5	N/A
	Increase customer satisfaction with Personal Property Management services.	Percent of respondents who report being "highly satisfied."	65%	68%	65%	▲
<b>FEDERAL TECHNOLOGY SERVICE</b>	Be customer-centric -Increase customer satisfaction with FTS representatives and products/services by 2.8%.	Percent of customers indicating satisfaction with FTS representatives and programs, products and services on annual FTS surveys by responding 4 or 5 on a scale of 1 to 5.	79%	76%	80%	▼
	In response to the goals of customer agencies and the Federal Government, achieve and maintain an appropriate business volume with small business as a percent of prime contracts.	Percent of prime contracts awarded to small business.	35%	36%	25%	▲
	Be customer centric - Reduce acquisition cycle times.	Average calendar days from request for quotation to award. Average calendar days from notice to proceed to award. (revised)	12 16	11 N/A	10 16	▼ N/A
<b>OGP</b>	Improve accessibility to shared databases and information on best practices and policies for Government, industry and the public's use.	Number of information systems accessible via the Internet	7 of 9	9 of 9	9 of 9	✓

GSA Strategic Goal #4: Anticipate Future Workforce Trends

Design, develop and model future Federal work environments with state-of-the-art technology, innovation, and best practices in use of space, furniture, equipment, telecommunications, contracts and other tools.

	Performance Goal	Performance Measure	FY 1999 Actual	FY 2000 Actual	FY 2000 Target	FY 2000 Performance vs. Target
FSS	Increase the number of services and products available to Federal customers via electronic systems and Internet connectivity.	Percent of Schedule contracts accessible through GSA <i>Advantage!</i> <sup>TM</sup>	23%	35%	50%	▼
	Fill 100% of requests for alternative fuel vehicles.	Percent of requests filled.	100%	100%	100%	✓
	Increase the percent of audits performed electronically.	Percent of audits performed electronically.	25%	40%	40%	✓
FTS	Provide state-of-the-art equipment and workplace environments to meet the needs of the mobile Federal worker by making available new and enhanced service offerings and increasing the number of actions awarded by 2%.	Number of contracts and modifications awarded, including all actions that exceed \$100,000.	601	355	607	▼
OGP	Establish policies, standards and best practices to help develop an interoperable, single face for government electronic business transactions.	Number of solutions developed and best practices recognized	4	4	(revised) 4	✓
		Number of guidelines developed	3	3	3	✓
		Number of industry collaborative efforts	4	5	5	✓
		Number of information-sharing initiatives	7	5	5	✓
	Provide a "single face" for industry to find opportunities to do business with the Federal Government.	Number of agencies using the EPS System (FedBizOpps.gov)	12	19	20	▼
	Provide a prototype Federal gateway to the Internet to make Government information more accessible to the public.	Number of links by WebGov (FirstGov.gov) to other Web sites.	1,000 links	1,000 links	2,000 links	▼
GSA	Achieve 100% accreditation of all eligible GSA child care centers.	Percent of eligible child care centers accredited by the National Association for the Education of Young Children.	77%	88%	85%	▲

# Acronyms and Abbreviations Used in This Annual Report

ACES	Access Certificates for Electronic Services (ACES)	GORE	Government-owned Real Estate
ADR	Alternative Dispute Resolution	GPRA	Government Performance and Results Act
AFV	Alternative Fuel Vehicle	GRPIS	Governmentwide Real Property Information Sharing
ANSWER	Applications 'n' Support for Widely-diverse End User Requirements	GSA	U.S. General Services Administration
ARNet	Acquisition Reform Network	ID3	International Direct Distance Dialing
BPA	Blanket Purchase Agreement	IDIQ	Indefinite Delivery, Indefinite Quantity
CFO	Chief Financial Officer	IFMS	Interagency Fleet Management System
CINEMA	Electronic Commerce, Internet, and E-mail Access	IG	Inspector General
CIO	Chief Information Officer	IRMCO	Interagency Resources Management Conference
CITA	Center for Information Technology Accommodation	IT	Information Technology
CKO	Chief Knowledge Officer	ITSS	Information Technology Solutions Shop
CPO	Chief People Officer	LAN	Local Area Network
CSC	Client Support Center	LMI	Logistics Management Institute
EBT	Electronic Benefits Transfer	MAA	Metropolitan Area Acquisition
EFT	Electronic Funds Transfer	MAS	Multiple Award Schedule
EPS	Electronic Posting System	MCOC	Management Control Oversight Council
FAI	Federal Acquisition Institute	MOBIS	Management, Organizational, and Business Improvement Services
FAR	Federal Acquisition Regulation	NCR	National Capital Region
FAST	Federal Acquisition Services for Technology	NEAR	National Electronic Accounting and Reporting System
FedBizOpps	Federal Business Opportunities	OGP	Office of Governmentwide Policy
FEDCAC	Federal Computer Acquisition Center	OIG	Office of Inspector General
FedCIRC	Federal Computer Incident Response Capability	OMB	Office of Management and Budget
FEDS	Federal Disposal System	OIS	Office of Information Security
FEDSIM	Federal Systems Integration and Management Center	PBS	Public Buildings Service
FEMA	Federal Emergency Management Agency	PDD63	Presidential Decision Directive 63
FFO	Funds From Operations	RWA	Reimbursable Work Authorization
FIDNet	Federal Intrusion Detection Network	R&A	Repair and Alterations
FIRM	Foundation Information for Real Property Management	SDC	Solutions Development Center
FISSP	Federal Information Systems Support	STAR	System for Tracking and Administering Real Property
FMFIA	Federal Managers' Financial Integrity Act	STAR	Strategic and Tactical Advocates for Results
FPPO	Federal Protective Police Officer	TMS	Technical and Management Support
FPS	Federal Protective Service	TSC2	Telecommunications Support Contract 2
FRS	Federal Relay Service	WITS	Washington Interagency Telecommunications System
FSS	Federal Supply Service	Y2K	Year 2000
FTS	Federal Technology Service		
GAO	General Accounting Office		



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